

The Politicization of Social Responsibility [¶]

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ABSTRACT

Institutional investors are less likely to support shareholder proposals related to environmental and social issues for firms headquartered in Republican-led states. The lower support concentrates in recent years, coinciding with politicians highlighting firms' social responsibility efforts, and among companies that receive state-level subsidies and tax breaks. Investor backing also varies with changes in state leadership. Support for these proposals drops by 13 percentage points in the same state when Republicans are in charge instead of Democrats. The findings suggest that politicians can influence businesses by swaying the votes of institutional investors, who prioritize maximizing shareholder value in their portfolios.

JEL classification: *G23, G30, G34, M14*

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“You don’t feed a dog that bites your hand.”

— David Ralston, 73rd Speaker of the Georgia House

1. Introduction

Through public statements, corporate policies, and portfolio choices, firms and their investors are increasingly entering arenas that elected officials have traditionally claimed as their own, including environmental and social policies. This entry coincides with rising political polarization in the United States, particularly around corporate responsibility, environmental, and social issues. Naturally, tensions occur when market actors implement policies that do not align with the desired policies of elected officials. Table 1 lists examples of US governors espousing competing views regarding the environmental and social activities of firms and investors. Fearing that markets are becoming a competing source of influence—one that can alter the direction of both corporate behavior and public life—politicians are increasingly seeking ways to shape corporate policies with potential societal implications (Gelles and Tabuchi, 2022).

In this paper, we examine one channel by which governments and politicians might influence corporate policies—institutional investors’ votes. Institutional investors play a critical role in voting on shareholder proposals linked to corporate stances on environmental and social issues. Aware of this potential influence, Democratic leaders often advocate for investor engagement with issues like equity, human rights, and environmental sustainability, while their Republican counterparts frequently resist such initiatives, criticizing them as actions that go beyond the business interests of firms. However, it is unclear whether investors respond to the political environment and, if so, why. To shed light on these questions, this paper analyzes whether institutional investors’ votes on environmental and social proposals differ by which political party currently controls the government of the firm’s headquarters state, and if so, for which firms.

There are several reasons why institutions’ votes might vary with a state’s political

leadership. State governments decide policies, tax exemptions, and contracts, which impact the profitability of firms headquartered in those states, and politicians could retaliate against firms undertaking actions that contrast with their priorities.¹ Moreover, a firm's local sales or hiring might suffer if the priorities of a state's leaders mirror those of its populace and the firm takes stances viewed unfavorably by a majority of that state's populace. Aware of the potential harm to shareholder value, investors might be less inclined to support initiatives when they do not align with local political views. Institutions might also seek to avoid casting votes that could invite direct retaliation from local politicians, who can divest state-controlled assets from those institutions or use their influence to bring unfavorable media attention to the institution's voting stance.²

On the other hand, there are also reasons why institutions' votes might be independent of state politics. Mutual fund families often have small governance teams that decide proxy voting choices across many companies, casting doubt on their ability to monitor the politics of each firm's home state. Moreover, voting differently on similar proposals across firms could lead to unwanted press and claims of inconsistency. Institutions might also not fear politicians' threat to divest state-controlled assets because such assets typically comprise a small fraction of institutions' operations.

To assess the potential impact of state-level politics on institutions' proxy voting, we analyze whether the political party of a state's governor correlates with an institution's

¹ For example, following Delta Airlines' opposition to Georgia's Election Integrity Act of 2021, the Georgia House of Representatives passed a retaliatory bill ending a tax break on jet fuel. House Speaker David Ralston remarked, "You don't feed a dog that bites your hand." A similar form of political retaliation occurred in 2018 when Delta Airlines ended a discount for National Rifle Association members following the deadly school shooting in Parkland, Florida.

² For example, in 2022, Florida pulled \$2b from BlackRock, citing the institution's focus on ESG-related factors, and *The New York Times* reported that Republican lawmakers in 15 states were promoting similar legislation to divest from institutions that prioritize combating climate change (Gelles and Tabuchi, 2022; Kerber, 2022). Another example is when the Secretary of State of Mississippi issued an order against BlackRock on March 27, 2024, for alleged securities fraud tied to its environmental, social, and governance (ESG) investment strategy. The order accused the firm of using "fraudulent and deceptive means" to push a political agenda on Mississippi residents (Mississippi Secretary of State, 2024). And in 2021, Texas prohibited municipalities from hiring underwriters with certain ESG policies, resulting in higher borrowing costs for some municipal bond issuers (Garrett and Ivanov, 2024).

level of support for socially responsible investing (SRI) proposals at firms headquartered in that state. We focus on SRI-related proposals because polls consistently show that Democrats are more likely to prioritize issues promoted in such proposals during our sample (e.g., sustainability, human rights, equity, political contributions, etc.).³ We focus on the governor’s political party because governors are the state’s top executive, with the power to affect local firms through state-level appointments (e.g., treasurer or comptroller), legislation vetoes, and proposed budgets. Governors are also able to use their positions to bring media attention to an institution’s votes. Moreover, because state-level elections decide governors, their affiliation will reflect the political leaning of the state’s workers and consumers, which could also factor into investors’ voting choices.

We start by constructing a proposal-by-institution-level dataset of how institutions voted on every shareholder proposal from January 2006 to June 2021. We then pair this data with the political party of the residing governor in the firm’s headquarters state and regress the institution’s support for a proposal onto an interaction between an indicator for SRI proposals and an indicator for whether the governor is a Republican. The interaction coefficient tests whether institutions’ support for SRI differs for firms headquartered in Republican-led states. In robustness tests, we show that our findings hold if we instead focus on cases where one party controls both the governorship and legislative bodies or if we use a large language model (LLM) to measure a state’s political landscape. Our findings are also robust to proxying firms’ exposure to a state using their 10-K text (following Garcia and Norli, 2012) instead of their headquarters location.

To mitigate omitted variable bias concerns, we include high-dimensional fixed effects to partial out many factors that might correlate with the political affiliation of a state’s governor and drive differences in support. Specifically, we include meeting-level fixed effects to control for any firm- or time-level characteristics that affect institutions’

³ E.g., see Dunlap (2008), McCarthy (2020), and Saad (2022).

overall likelihood of voting in favor of a meeting's proposals. The meeting fixed effects allow us to isolate how votes within a meeting vary as a function of a proposal's SRI status. We also include institution-by-month-by-SRI fixed effects to control for each institution's monthly tendency to support SRI proposals. In other words, we only use within-institution variation in SRI votes each month. Lastly, we include industry-by-month-by-SRI fixed effects to control for differences in industry composition across states and variations in institutions' tendency to support SRI proposals across different industries.

To control for possible differences in the composition of SRI proposals across states and improve precision, we include proposal-level controls for the ISS and management vote recommendations. However, we find no evidence that vote recommendations differ systematically for SRI proposals in Republican-led states. Nor do we find evidence that firms in Republican-led states are less likely to face an SRI proposal or that the composition of SRI proposal types and the political tilt of SRI proposal text differs in Republican-led states. The absence of such differences mitigates concerns that sample selection might drive any observed differential voting patterns across states. Our baseline findings are also similar if we isolate variation within specific types of SRI proposals by allowing the institution-by-month and industry-by-month fixed effects to vary by SRI topic classifications. Including controls for proposal sponsor type (e.g., individual, institution, etc.) also does not impact our findings.

Using this within-meeting, within-institution-by-month-by-SRI, and within-industry-by-month-by-SRI variation in votes, we find a negative association between institutions' support for SRI proposals and Republican party rule in a firm's home state. Institutions' relative likelihood of supporting an SRI proposal is 4.1 percentage points lower, on average, for firms headquartered in Republican-led states. The decrease is economically significant, corresponding to a 13% decline relative to the sample average support level. Such a decline can be pivotal in vote outcomes; 10.2% of SRI proposals

during 2019-2021 passed/failed within a five-percentage point margin.

The observed association between governors' party affiliation and SRI votes started in recent years, coinciding with increased political polarization and state-level politicians' focus on socially responsible investing and activities involving corporate social responsibility (CSR) (e.g., see Table 1). The lower support for SRI proposals in Republican-led states is statistically significant at the 1% level during President Obama's second term (2013-2016), and the estimated magnitude increases by over 40% during Trump's presidency (2017-2020). Prior to 2013, we find a negative association between Republican governorships and institutions' support for SRI proposals, but the coefficient is a quarter of the magnitude and is not statistically significant.

The observed shift in investor support for SRI proposals also occurs within states following changes in political leadership. Our baseline finding continues to hold even after adding state-by-SRI fixed effects, which converts our estimation into a staggered triple-difference estimation that uses within-state changes in leadership for identification. However, because a staggered triple-difference estimation could suffer from violations of the parallel trends assumption (e.g., see Baker et al., 2022), we also estimate a stacked triple-difference (e.g., see Gormley and Matsa, 2011, 2016). We flag states that experience a political transition as treated and use never-treated states as controls. Even in this narrower, within-state specification, we continue to find a decline in SRI support under Republican governors. Investor support for SRI proposals is 13.1 percentage points lower in the same state when it is led by a Republican (p -value < 0.01), a 42% reduction relative to the sample average. Moreover, the timing of this shift largely coincides with the change in leadership and shows no pre-existing differential trend.

SRI proposals are also less likely to pass in Republican-led states. Employing the same, within-state stacked estimation, we find that SRI proposals are 16.5 percentage points less likely to pass when a Republican is governor of the state (p -value < 0.01). In

our cross-sectional difference-in-differences specification, SRI proposals are 6.4 percentage points less likely to pass in Republican-led states (p -value = 0.107).

Shifts in states' business environments do not seem to explain the observed within-state shift in support. State-level political transitions do not coincide with changes in key state-level, time-varying economic indicators, including GDP growth and employment. Our findings are also robust to controlling for these macroeconomic variables. The lack of pre-trends before changes in political leadership also speaks against the possibility that confounding changes in the economic or business environment might drive our findings.

There are several mechanisms by which politics might influence investor votes. One possibility is that investors tailor their SRI votes to avoid misalignment between the firm and the political views of the state's workers and consumers. Alternatively, investors might directly care about the political influence of the newly elected leaders. In support of the latter mechanism, we find that the observed within-state shift in investor support is similar in magnitude when the political transition coincides with a closer election or a smaller state-level shift in the popularity of the winning party. Our findings also concentrate on bigger firms, which likely have significant operations outside the state, suggesting that concerns about local hiring and sales is not the primary mechanism.

We next explore why investors might respond to local politicians. One possibility is that elected officials can meaningfully shift firms' shareholder value-maximizing strategies through regulations, subsidies, or other means. If true, investors might align their voting behavior with the views of political leaders to maximize the value of the portfolio companies located in the state, consistent with investors' fiduciary duty. A second possibility is that investors adjust their votes for self-interest reasons. Elected officials might successfully put pressure on the institutional investors directly through threats of regulation or the withholding of state business (e.g., via state pension funds). In this scenario, institutions might align their voting behavior with local political leaders

when those votes are unlikely to be pivotal or because it maximizes the value of the institution, not that of their portfolio company, in violation of investors' fiduciary duty.

We find evidence that fiduciary duty motives play some role in the observed differences. Consistent with institutions seeking to maximize portfolio companies' value and avoid cuts in state-level support for firms out of sync with local leaders, we find that the relationship between voting and state-level politics is greater among firms that receive state-level support via subsidies and tax breaks, especially when that support originates from the state where the firm is headquartered. Moreover, the observed difference in SRI votes is bigger in states that spend a greater proportion of their GDP on business subsidies. Our findings also concentrate on institutions where the stock represents a larger share of their assets under management (AUM), providing them greater motivation to maximize shareholder value. We also do not find any evidence that the political affiliation of a firm's state correlates with abnormal announcement returns around the passage of closely contested SRI proposals. The absence of a difference in announcement returns, combined with the lower passage rates of SRI proposals in Republican-led states, suggests that investors perceive a larger share of SRI proposals as value-destructive in Republican-led states and vote them down accordingly.

We find less evidence that mutual fund companies are voting in ways that maximize the value of the institution, rather than their portfolio companies. The observed political alignment of votes is not greater in cases where the institution's vote is less likely to be pivotal (and hence, less likely to impact the portfolio company). Specifically, our findings are not smaller for closely contested proposals and for institutions with smaller ownership stakes. We also do not find evidence that foreign institutions, which might be less subject to political pressures, are less likely to vote in politically aligned ways.

Overall, our findings contribute to recent work that explores the connections

between political partisanship and economic choices.⁴ Our findings provide evidence that external political factors matter for companies' shareholders, and that investors' support for certain economic activities varies with changes in local political leadership, particularly for firms that receive subsidies or tax breaks. These shifts in investor support, which are larger in more recent time periods, suggest an important mechanism by which increasing political partisanship is likely affecting the choices of companies. They also highlight an additional channel by which politicians can likely shape corporate policies.

These findings also expand our understanding of how and why politics affect institutional investors' engagement. Research indicates that institutional voting is strategic and influenced by external factors (Malenko and Shen, 2016; Matvos and Ostrovsky, 2010), and there are many proposed factors that might affect institutions' level of SRI engagement (e.g., Barzuzza et al., 2020; Fisch, 2022; Kahan and Rock, 2020; Massa and Zhang 2024). However, empirical evidence on what factors matter is scarce. Our findings suggest that political considerations connected to fiduciary concerns are an important determinant of institutional investors' SRI choices. In this regard, our findings build upon prior work that focuses on how political appointments and pressure can influence public pension funds' portfolio holdings and votes (e.g., Romano, 1993; Hochberg and Rauh, 2013; Brown et al., 2015; Bradley et al., 2016; Andonov et al., 2018; Duan et al., 2021). Our findings provide evidence that state-level politicians' influence extends even to private, out-of-state institutional investors not directly under their control, and that they have sufficient influence to shift the passage rate of SRI proposals.

Finally, our findings provide evidence that the political leanings in a state might influence firms' ability to incorporate SRI- and CSR-related activities. While prior work

⁴ For example, Fos et al. (2023) finds that US corporate executives are growing increasingly partisan, and recent evidence shows that individuals' political affiliation can affect their own economic choices (e.g., Engelberg et al., 2022; Meeuwis et al., 2022; Pan et al., 2023) and those of their firms (e.g., Hong and Kostovetsky, 2012; Duchin et al., 2019; Rice, 2023; Cassidy and Vorsatz, 2021; Kempf and Tsoutsoura, 2021; Dagostino et al., 2024; Fos et al., 2023; Li and Yermack, 2024).

emphasizes the potential importance of stakeholders (Di Giuli and Kostovetsky, 2014), legal liabilities (Akey and Appel, 2021), and judges (Gormley et al., 2025) for companies' social and environmental actions, our evidence suggests an additional consideration firms face—a lack of support from investors when local politicians oppose such activities. The lower institutional support could also have important implications for CSR activities as a push from institutional investors can be a crucial driver of firms undertaking such initiatives (e.g., Dyck et al., 2019; Chen et al., 2020; Yegen, 2020; Gormley et al., 2023).

We organize the paper as follows. Section 2 describes our data. Section 3 presents our empirical specification and main findings, including heterogeneity in the importance of political affiliation across time, firms, and investors. Section 4 examines our baseline results in a staggered triple-differences setting; Section 5 analyzes potential political motivations; Section 6 investigates robustness; and Section 7 concludes.

2. Data and summary statistics

2.1 Data sources and variable construction

2.1.1 Mutual fund voting records

Our institutional voting data comes from ISS Voting Analytics, which collects mutual fund voting records from the mandated N-PX forms that institutions file with the SEC annually.⁵ The N-PX data contains fund-level vote decisions for all proposals. Following Iliev and Lowry (2015), Gilje et al. (2020), and Gormley and Jha (2023), we restrict our sample to shareholder proposals. Voting Analytics classifies most shareholder proposals into two categories: Socially Responsible Investing (SRI) and Governance (GOV). We use this classification to identify which proposals are SRI-related. Our sample starts in 2006, as there are few SRI proposals before that year, and ends in June 2021.

SRI proposals encompass many issues. Some proposals ask firms to disclose their

⁵ The N-PX data does not include votes by state-level pension funds.

political expenditures, while others ask firms to disclose their sustainability plans and emission levels or targets. Yet other proposals ask firms to disclose their gender- and race-based pay gaps or to disclose their supply chain due diligence efforts pertaining to human rights. To illustrate this variety, Appendix Table A1 classifies SRI proposals into 10 distinct topics using SRI proposal titles and BERTopic (Devlin et al., 2018), a pre-trained natural language processing model. Appendix Table A2 provides a similar topic classification for governance proposals, which tend to focus on less politicized issues related to special meetings, director elections, voting, and executive pay.

To calculate an institution's overall level of support for a given proposal, we aggregate fund-level votes to the fund-family level, following the approach of Gilje et al. (2020) and Gormley and Jha (2023). Specifically, we construct our proposal-institution measure, *Likelihood of voting in support*, using the share of the institution's funds that cast votes in support of the proposal. For 87.2% of our proposal-by-institution observations, *Likelihood of voting in support* equals either zero or one, as most funds within a fund family vote in the same direction on individual proposals.

2.1.2 Firms' headquarters state

We identify the state of a firm's headquarter using the business address provided in the header of the firm's 10-K/Q filings. We download the augmented 10-K/Q header data from The Notre Dame Software Repository for Accounting and Finance (SRAF).⁶ If a business address is missing from the header a firm's 10-K/Q filing, we use the headquarters state for a firm as reported in the Compustat database.⁷

2.1.3 Gubernatorial election data

To determine the political party of a state's governor each year, we compile data on

⁶ The data is available at <https://sraf.nd.edu/data/augmented-10-x-header-data/>.

⁷ Compustat database only includes information on the current location of a firm's headquarters. In our sample, about 4% of location data are missing from the 10-K/Q header and thus filled in with Compustat records. Our subsequent findings are robust to excluding firms lacking 10-K/Q header data.

state gubernatorial election results from Ballotpedia and the Correlates of State Policy Project (CSPP) for the period spanning 1999 to 2021. Because gubernatorial elections typically take place in November with governor’s terms starting early in the next calendar year, we assign the election results to the years following an election, up through the next election for that state. For instance, a Republican won the Georgia gubernatorial election held on November 4, 2014. Because the subsequent Georgia gubernatorial election occurred on November 6, 2018, we set the state-by-year-level indicator variable *Republican* to one for Georgia for the years 2015 to 2018. We also collect state senate and house election results from the same source. We define a state as having unified control by a political party if the governorship, state house, and state senate are all dominated by the same party (i.e., the office of the governor and seat majorities in both state-level legislative bodies are held by members of that party).

2.2 Summary statistics

The share of shareholder meetings with an SRI proposal is similar in both Democratic and Republican States and exhibits a slight downward trend during our sample period. Figure 1, which plots the likelihood of having an SRI proposal in shareholder meetings for firms in Democratic- versus Republican-led states from 2006 to June 2021, illustrates this finding. On average, approximately 40% of shareholder meetings included an SRI proposal in 2006 for both Republican- and Democrat-led states, and this share decreases for both types of states to around 31% in 2021.

However, the frequency at which SRI proposals are closely contested or receive support exceeding the approval threshold is increasing during our sample period. Table 2, which tabulates the number of SRI proposals and voting outcomes by year, shows this finding. We flag a proposal as “contested” if the support for the proposal was within five percentage points of the approval threshold. Doing so, we see that around 10% of SRI proposals fall within a 5-percentage point margin of the approval threshold from 2019-

2021, compared to an average of about 1% in years before 2012. The rising frequency of contested SRI proposals highlights the importance of understanding what factors might affect institutions' voting decisions, as even small shifts in support could shape the final voting outcomes for many SRI proposals. The share of "passed" SRI proposals (i.e., those receiving investor support exceeding the approval threshold) also increased beginning in 2018. Before 2018, around 1-2 percent of SRI proposals received such support, but in 2018, the share of such SRI proposals jumps to 8.28% and by 2021, it was 22.31%.

Table 3 reports the summary statistics of variables used in our proposal-by-institution-level analysis. Our final sample comprises 779,906 institutional investor votes, of which 252,473 (32%) are votes on SRI proposals. The sample is associated with 5,129 shareholder meetings, 10,787 shareholder proposals, and 2,610 SRI proposals. 43.9% of the votes for all shareholder proposals and 47.2% of votes for SRI proposals are from firms located in Republican states. On average, the likelihood of an institution voting in support of shareholder proposals is 44.4%, while the level of institutional support for SRI proposals is 31.5%. The likelihood of management recommending support is 6.4% for all shareholder proposals but only 0.4% for SRI proposals; the likelihood of ISS recommending support is 67.4% for shareholder proposals and 57.4% for SRI proposals.⁸

In aggregate, the institutional investors in our sample are important shareholders. On average, they hold 45.1% of outstanding shares for a company. The median is 44.9%. Moreover, their ownership share is of similar importance for most companies; for example, the 10th percentile is 34.6%, while the 90th percentile is 56.4%. Even at the first percentile, these institutional investors own 24.4% of the shares, suggesting that shifts in their votes are likely to be important even for companies at the lowest percentiles.

⁸ Appendix Table A3 reports summary statistics separately for Republican- and Democratic-led states and for states that do not experience a change in political leadership during our sample.

3. Empirical analysis of institutional votes and state-level politics

3.1 Specification

To examine whether the relative likelihood of an institution voting in favor of an SRI proposal varies with the political affiliation of the governor in the firm's headquarters state, we employ a high-dimensional fixed effects difference-in-differences specification. The specification compares differences in investor support for SRI vs. non-SRI proposals across Republican- vs. Democrat-led states. Specifically, we estimate:

$$\begin{aligned} \text{Likelihood of voting in support}_{i,j,m,s,t} = & \beta \text{Republican}_{s,t} \times \text{SRI}_j + \gamma X_j \\ & + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{ind,t,\text{SRI}} + \varepsilon_{i,j,m,s,t}, \quad (1) \end{aligned}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at shareholder meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is an indicator variable that equals one if the firm is headquartered in a state with a Republican governor. *SRI* is an indicator variable that equals one if the shareholder proposal is classified as SRI by ISS. We cluster standard errors at the state-level to account for any heteroskedasticity and possible state-level correlations among observations. In Section 6.4, we explore double clustering at the state and institution level, but that approach yields less conservative standard errors in subsequent estimations.

To mitigate potential omitted variable biases, we include several fixed effects to partial out confounding factors that might correlate with a state's political affiliation and drive differences in proposal support at the firm-, industry-, institution-, SRI-, or time-level. First, we include meeting-level fixed effects, θ_m . Their inclusion controls for any firm- or time-level characteristics (e.g., a firm's current profitability, the firm's recent stock returns, the day or month of the vote, etc.) that affect institutions' overall likelihood of voting in favor of a meeting's proposals. They also control for any possible direct effect of *Republican* on institutions' overall level of support for proposals at the meeting and

allow us to isolate how votes within a meeting vary as a function of the proposal's SRI classification. Second, we use institution-by-month-by-SRI fixed effects, $\mu_{i,t,SRI}$, to control for each institution's monthly tendency to support SRI proposals. In other words, the estimation only uses within-month variation in how each individual institution votes across SRI proposals. Lastly, we include industry-by-month-by-SRI fixed effects, $\pi_{ind,t,SRI}$, to control for differences in industry concentrations across states and institutions' varying tendency to support SRI proposals across different industries. We set industries using firms' 2-digit Standard Industrial Classification (SIC) codes.

X represents two proposal-level controls: an indicator variable for whether management recommends supporting the proposal (*Management recommends support*) and an indicator variable for whether ISS recommends supporting the proposal (*ISS recommends support*). We include these two control variables because vote recommendations, especially those of ISS, can significantly influence institutions' voting decisions (e.g., Malenko and Shen, 2016). Their inclusion also controls for possible differences in proposal composition in Republican-led states, though in later analysis, we find no evidence that state-level politics correlates with proposal composition.

In our baseline specification, the coefficient of main interest is β . This coefficient captures the average difference in the relative likelihood of an institution voting in support of SRI proposals when the governor of the firm's home state is affiliated with the Republican party (as compared to Democratic party) after controlling for vote recommendations, SRI classification, and other firm-, industry-, institution-, and time-level factors that might affect institutional investors' votes. If state-level politics matters for an institution's proxy decisions on SRI proposals, β would be negative given the Republican party is more likely to oppose SRI-related initiatives during our sample period (e.g., see Table 1 and Appendix Figure A1). Because they are collinear with the fixed effects, we do not include the individual controls for *Republican* and *SRI*.

3.2 Baseline results and heterogeneity over time

We find that institutions are less likely to support SRI proposals overall, and especially so in states with a Republican governor. Estimates of eq. (1) are reported in Table 4. In Column 1, we start with a specification that only includes meeting and institution-by-month fixed effects. This specification allows us to observe how the likelihood of institutions' support varies for SRI proposals overall (coefficient on *SRI*), helping benchmark the economic magnitude of incremental support rates for SRI proposals in Republican-led states (coefficient on *Republican*×*SRI*). Overall, institutions are 8.36 percentage points less likely to support SRI proposals relative to other shareholder proposals. However, in Republican-led states, an institution's support for SRI proposals is, on average, an additional 2.36 percentage points lower (p -value < 0.05). In Column 2, we add industry-by-month-by-SRI fixed effects to control for differences in industry composition across states and institutions' varying tendency to support SRI proposals across different industries. Controlling for industry, the decline in SRI support in Republican-led states increases to 4.0 percentage points (p -value < 0.01).

We continue to find less SRI support when we replace the institution-by-month fixed effects with institution-by-month-by-SRI fixed effects, as specified in eq. (1). Table 4, Column 3, reports these estimates. The switch from institution-by-month to institution-by-month-by-SRI fixed effects ensures that the estimation is identified using within-month variation in institutions' SRI votes across states. The switch has little impact on the estimates. Within a given month, institutions are 4.13 percentage points less likely to support SRI proposals in Republican-led states (p -value < 0.01).

The observed decline in support for SRI proposals is economically significant. The 4.13 percentage point decrease in Republican-led states corresponds to a 13% decline

relative to the sample average level of support for SRI proposals, 31.5%.⁹ The decline in support could also be pivotal in many vote outcomes, especially in recent years. 10.2% of SRI proposals during 2019-2021 passed/failed within a five-percentage point margin.

If state-level politics influence institutional investors' votes, we might expect to observe heterogeneity in our baseline result over time. Views on SRI-related matters became particularly partisan in the latter years of our sample when politicians at the state level increasingly emphasized the CSR- and SRI-related activities of firms and institutions.¹⁰ The increased partisanship around these issues might further raise investor's concerns when voting on SRI proposals, especially as state-level politicians increasingly highlight investor SRI votes and company CSR policies they disagree with (Table 1). If true, we might expect our findings to concentrate in more recent years.

To analyze whether institutions' support for SRI proposals in Republican-led states has varied over time, we estimate the same specification as in eq. (1) but segmented by presidential terms. Specifically, we separately estimate eq. (1) for each presidential term with at least one year of observations. Table 5 presents the results.

The lower support for SRI proposals in Republican-led states concentrates in the latter half of our sample. We begin to detect a statistically significant difference in SRI support in Republican-led states during President Obama's second term (2013-2016). On average, institutions are 4.9 percentage points less likely to support SRI proposals in Republican-led states during those years (Table 5, Column 3; p -value < 0.01). The

⁹ Both "against" votes and withheld votes (where the ISS records the vote as "abstain," "do not vote," or "withhold") drive the decline in support for SRI proposals. In untabulated estimates, we find that institutions are 0.5–1.0 percentage points more likely to withhold a vote on SRI proposals in Republican-led states, corresponding to a 7.1% to 14.3% increase relative to the sample average for SRI proposals (7.0%). Institutions are 1.1–3.6 percentage points more likely to vote against the SRI proposal in Republican-led states, corresponding to a 1.8% to 5.9% increase relative to the sample average (60.7%).

¹⁰ For example, Pew Research survey data shows increasing partisanship around environmental issues since 2014. In general, Pew Research reports that both parties have moved further away from the ideological center since the early 1970s. Democrats on average have become somewhat more liberal, while Republicans on average have become much more conservative (DeSilver, 2022). Engelberg et al. (2023) show that partisanship among SEC Commissioners also recently reached an all-time high.

observed difference in support increases to 6.9 percentage points during President Trump's term from 2017-2020 (Column 4; p -value < 0.01). We find little evidence of a difference in investor support during the last years of the Bush presidency, 2006-2008, and only suggestive evidence during President Obama's first term, 2009-2012 (Columns 1-2). In Column 5, we repeat our estimates for the full sample but include an additional interaction with *Post2012*, which is an indicator variable that equals one for sample years after 2012. The statistically significant interaction term in Column 5 confirms that the observed difference in post-2012 years is statistically different than the smaller (and statistically insignificant) difference observed in earlier years. Overall, these findings are consistent with the possibility that recent increases in political polarization and state-level politicians' focus on SRI-related activities are affecting institutions' voting choices.

4. Stacked triple-difference estimation

To further mitigate identification concerns, we next conduct a stacked triple-difference estimation that utilizes within-state variation as a source of identification. While the inclusion of several high-dimensional fixed effects in our baseline estimation narrows the potential for omitted variable biases, one remaining source of concern is omitted variables at the state-by-SRI level. For example, suppose states that tend to have Republican governors also tend to be states with firms where SRI proposals are less likely to enhance value. In that case, our estimates might instead reflect this possibility rather than institutions responding to state-level politics. While it is unclear what this potential state-by-SRI omitted variable might be, especially because we already control for industry-by-month-by-SRI differences in investor support, we can directly address this potential concern by utilizing within-state variation for identification purposes.

To isolate such within-state variation, we will need to focus on states that experience a change in the political party of the governor during our sample period. By

comparing changes in support before and after such leadership transitions to changes in support in states not experiencing a leadership transition at that time, we can control for state-by-SRI omitted variables. In total, there are 50 cases where the party of the governor changes during our sample, of which 22 cases involve a change from a Republican to a Democratic governor. Figure 2, which depicts the political affiliation of state governors by year during our sample period, illustrates these changes. Thirty-two states experience a change in political affiliation between 2006 and 2021, while 18 states do not.

4.1 Estimations using within-state changes in political affiliation

We begin our within-state analysis by adding a state-by-SRI fixed effect to our baseline specification. The inclusion of such fixed effects allows us to focus on within-state variation in the governor's political affiliation and partial out potential state-level confounding factors. Table 6, Column 1 reports the results. Despite the additional fixed effects, the estimated coefficient of *Republican* \times *SRI* remains significantly negative (p -value < 0.05), and the estimate is similar in magnitude to the baseline result (Table 4, Column 3). On average, institutional investor support for SRI proposals is 3.4 percentage points lower in a state when it has a Republican governor (Table 6, Column 1).

The addition of state-by-SRI fixed effects essentially converts our estimation into a staggered triple-difference estimation. Our point estimate is identified using three differences: (1) pre- versus post-election change in a state's political affiliation, (2) Republican versus Democrat governor, and (3) non-SRI proposal versus SRI proposal. However, unlike a standard triple difference, our estimation uses switches in a state's political affiliation that occur in both directions. Some states switch from Republican to Democrat; other states switch from Democrat to Republican.¹¹

¹¹ Variation in the *Republican* variable can also occur if a firm moves its headquarters from a Democrat- to Republican-led state (or vice versa). In untabulated findings, we find that excluding firms that relocate state headquarters has little impact on our estimates.

One concern with the above within-state estimation is that the controls for states that experience a change in leadership are all other states that do not experience a change in leadership that same year. In other words, previously treated states can act as controls for later treated states. Such a comparison can be problematic if a dynamic treatment effect exists, whereby the treatment’s magnitude varies over time since implementation (Baker et al., 2022). Such comparisons can introduce violations of the underlying parallel trends assumption (i.e., that, absent treatment, the outcome variable for treated and non-treated states would otherwise be trending the same at the time of treatment).

To avoid any potential “bad comparisons” problem, we next follow Gormley and Matsa (2011, 2016) and estimate a stacked triple-difference. Specifically, for each event year e where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021. For each event year, we restrict the sample window to the three pre-election years, the year of election, and the four years post-election. We chose this window because gubernatorial elections typically occur every four years.¹² We then construct the stacked sample and estimate:

$$\begin{aligned}
\text{Likelihood of voting in support}_{e,i,j,m,s,t} &= \beta_1 \text{Republican}_{e,s,t} \times \text{SRI}_{e,j} \\
&+ \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} \\
&+ \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t}, \quad (2)
\end{aligned}$$

where *Likelihood of voting in support* is the share of institution i 's funds voting in support for proposal j at shareholder meeting m in month t for the firm headquartered in state s . The e subscript denotes to which event-year stack each observation belongs. To account for the stacked nature of the dataset, we modify the fixed effects to be meeting-by-event

¹² Note that since gubernatorial elections usually take place in November, the election year is considered as pre-election period in our analysis, which is consistent with the approach taken in prior tests.

fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects, and state-by-SRI-by-event fixed effects. We continue to include controls for ISS and management recommendations, X , and we continue to cluster our standard errors at the state level. Table 6, Column 2 presents the results.¹³

The within-state shift in support for SRI proposals persists in the stacked triple-difference estimation. When a state has a Republican governor, institutional investors are 13 percentage points less likely to support SRI proposals than when that same state has a Democrat governor (Table 6, Column 2; p -value < 0.01). Compared to our baseline, cross-sectional results (Table 4, Column 3), the economic magnitude is more than twice as large when using within-state variation and never-treated states as controls. The estimate suggests about a 42% reduction in support relative to the sample average. The magnitude is also comparable to other potential drivers of investor votes. For example, Malenko and Shen (2016) find that ISS recommendations can shift votes by 25 percentage points.

4.2 Likelihood of SRI proposal passing

The observed within-state shift in investor support is economically large and likely to shift proposals' likelihood of passage. In our sample, eight percent of SRI proposals are within 10 percentage points of passage (in the last three sample years, 19 percent of SRI proposals are within 10 percentage points of passage), suggesting that the political affiliation of the governor could play a key factor in determining whether SRI proposals pass. To assess whether the political affiliation of a state's governor also predicts passage, we repeat our stacked triple difference at the proposal level and replace our dependent variable with an indicator for whether a proposal was passed. Table 7 reports the finding. The likelihood of an SRI proposal passing is lower in Republican-led states. When a state

¹³ The number of observations increases in the stacked estimation because never-treated state observations are used as controls for each distinct event. This repeated use of some observations across events is why we cluster the standard errors at the state level instead of the state-event level.

has a Republican governor, SRI proposals are 16.5 percentage points less likely to pass than when that same state has a Democrat governor (Table 7; p -value < 0.05).

The cross-sectional specification also suggests a decline in the likelihood of passage, but the point estimate is smaller and less statistically significant (see Appendix Table A4). In that specification, SRI proposals are 6.4 percentage points less likely to pass in Republican-led states (p -value = 0.107). The smaller shift is not surprising given the baseline shift in voting using a cross-sectional specification (Table 4) is smaller than the within-state shift in voting one detects using the stacked triple difference (Table 6).¹⁴

4.3 Estimation by direction of a state's political transition

We next use our stacked triple-difference estimation to analyze whether the direction of the state's political transition matters. The specification in eq. (2) incorporates events associated with both types of governorship transitions: (1) states experiencing a change in the governor's political party from Democratic to Republican, and (2) states experiencing a change in the governor's political party from Republican to Democratic. If both events drive our findings in Table 6, we should observe opposing effects when restricting our treated sample to states transitioning from Democratic to Republican versus when we restrict it to those states experiencing the opposite transition.

To test whether the observed shift varies across these two types of transitions, we investigate them separately by estimating the following:

$$\begin{aligned} \text{Likelihood of voting in support}_{e,i,j,m,s,t} = & \beta_1 \text{Treated}_{e,s,i} \times \text{Post}_{e,t} \times \text{SRI}_j \\ & + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} \end{aligned}$$

¹⁴ In untabulated findings, we find no evidence that the likelihood of passage in Republican-led states varies with the total share of a company's stock held by mutual fund companies. Two factors likely contribute to this non-result. First, in aggregate, mutual fund investors have a sizable and similar ownership stake in most companies, reducing the amount of meaningful heterogeneity (see Section 2.2). Second, other investors might also adjust their votes in response to the political environment. For example, if investors are reducing their SRI support in Republican-led states to avoid pushing companies to take stances that might be politically value-destructive (see Section 5.1), that motive would also apply to other investors.

$$+\vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t} \quad (3)$$

where *Treated* is an indicator variable that equals one if the state’s observation belongs in the treatment group for event-year *e* [i.e., a state that experiences a political transition in year *e*] and equals zero otherwise [i.e., a never-treated state]. *Post* is an indicator variable that equals one for post-event periods and zero for pre-event periods. We continue to use the same 8-year event window for each transition year, and we continue to include the same set of fixed effects. The individual explanatory variables (*Treated*, *Post*, and *SRI*) and their other interactions (*Treated*×*Post*, *Treated*×*SRI*, and *Post*×*SRI*) are not included as they are each collinear with the fixed effects. We then estimate the eq. (3) separately for the two sets of transitions. Table 8 reports the results.

Both types of political transitions associate with within-state shifts in investor support for SRI proposals. When we restrict the treated sample to the set of state events where there is a switch from a Democrat to Republican governor, we observe a post-switch decrease in investors’ support for SRI proposals that is 24 percentage points larger than post-switch change in SRI support observed in states not experiencing a transition (Table 8, Column 1; *p*-value < 0.01). However, when we instead restrict the treated sample to states that switch from a Republican to Democrat governor, we observe a post-switch *increase* in SRI support that is 5.6 percentage points larger than the change in SRI support observed in states not experiencing a transition (Column 2; *p*-value < 0.05).

Combined, these findings show that the direction of the within-state political transition is largely unimportant; in both cases, support for SRI proposals was lower in the state when a Republican held the governorship. While the point estimate for Democrat to Republican transitions is larger in magnitude, that should be interpreted with caution given the relatively small number of events and the different timing of transitions, which could be important for the estimated magnitudes (e.g., see Table 5).

4.4 Timing of observed within-state changes

We next assess the timing of the observed within-state shifts for states undergoing a political transition by modifying the estimation in eq. (3) to estimate a treatment effect in each event year. We use the year before the newly elected governor takes office (i.e., the election year) as the excluded baseline and estimate:

$$\begin{aligned}
 \text{Likelihood of voting in support}_{e,i,j,m,s,t} = & (\beta_1 \text{Pre4} + \beta_2 \text{Pre3} + \beta_3 \text{Pre2} \\
 & + \beta_4 \text{Post1} + \beta_5 \text{Post2} + \beta_6 \text{Post3} + \beta_7 \text{Post4}) \times \text{Treated}_{e,s,i} \times \text{SRI}_j \\
 & + \gamma X_{e,j} + \theta_{e,m} + \mu_{e,i,t,\text{SRI}} + \pi_{e,\text{ind},t,\text{SRI}} + \vartheta_{e,s,\text{SRI}} + \varepsilon_{e,i,j,m,s,t}, \quad (4)
 \end{aligned}$$

where Pre4 , Pre3 , and Pre2 are indicator variables that equal one if the observation corresponds to 4, 3, or 2 years before the newly elected governor takes office, respectively. Likewise, Post1 , Post2 , Post3 , and Post4 are indicator variables that equal one if the observation corresponds to first, second, third, and fourth years of the newly elected governor's term. All other controls remain the same, and like Table 8, we estimate eq. (4) separately for each direction of political transition. Figure 3 plots the resulting point estimates and 95% confidence intervals.

For Democrat-to-Republican transitions, the timing of the relative decrease in support for SRI proposals coincides with the timing of the transition. Figure 3, Panel A shows this finding. In the years before the election, we observe no pre-existing differential trend in SRI support for states that later switch from a Democrat to a Republican governor. Instead, the decrease in support only begins in the year after the election and continues to grow in the years of the elected Republican's first term. This finding provides support for the underlying parallel trends assumption of the triple-difference estimation.

However, the timing of the relative increase in support for SRI proposals that occurs around Republican-to-Democrat transitions is less closely aligned with the election. For these transitions, there is an upward drift in SRI support after the Democrat

takes office, but the stacked triple-difference point estimate found in Table 8, Column 2, seems to largely reflect a post-election reversal of relatively low SRI support in the year before the Republican party loses the governorship (Figure 3, Panel B).¹⁵

4.5 Restricting to closer elections and smaller shifts in party popularity

There are several mechanisms by which a within-state political shift might influence institutional investor votes. One possibility is that the change in political party holding the governorship reflects a shift in the view of the state's populace regarding CSR- and SRI-related issues. If so, firms (and their investors) might change their support for SRI proposals not because of the new governor but rather because such a change might affect the firm's standing with the state's populace, which could then affect the firm's sales or the ability to hire workers in that state. If true, we might expect our within-state findings to be weaker in states where the winning party exhibits a smaller victory margin or experiences a smaller increase in their popularity, relative to the last election. Alternatively, firms (and their investors) might directly care about the political influence of the newly elected governor. If so, we would not necessarily expect our findings to differ for closer elections or for elections where there was a smaller shift in support for the winning party. We try to tease out these possible mechanisms by next analyzing how our findings vary with the victory margin and the shift in popularity of the winning party.

The observed within-state shift in investor support for SRI proposals is similar in states where the political transition coincides with a closer election or a smaller shift in the popularity of the winning party. Appendix Table A5, which repeats the stacked estimation after restricting the treated sample of events to those with a below median

¹⁵ The observed timing and symmetry also mitigate concerns that time-varying factors driving within-state political transitions (e.g., unemployment rates and economic growth) might contribute to our findings. Such factors would likely create a pre-trend, and it is unclear why such time-varying, state-level factors would have a differential impact on support for SRI proposals that varies with the transition direction. Moreover, in subsequent robustness tests, we find no evidence that political transitions systematically correlate with changes in the state's business conditions, and including time-varying controls for macroeconomic factors does not meaningfully affect the point estimates.

victory margin (Panel A) or a below-median shift in the relative popularity of the winning political party (Panel B), reports these findings. The point estimates in these subsamples (Appendix Table A5) are similar in magnitude to those found when using the full set of political transitions (Tables 6 & 8). The similarity in estimates suggests that the likely political mechanism for our finding is the state-level shift in political leadership rather than the underlying state-level shift in the popularity of the winning political party.¹⁶

5. Possible mechanisms for why local political leaders might matter

We next explore why investors might be responsive to local governments. One possibility is that elected officials can meaningfully shift firms' shareholder value-maximizing strategies through regulations, subsidies, or other means. If true, investors might align their voting behavior with the views of political leaders to maximize the value of the portfolio companies located in the state, consistent with institutional investors' fiduciary duty. Institutions might also manage state pension assets. If so, institutions' votes could partly reflect a state-level investor preference regarding the appropriate level of SRI-related activities for local firms. A second possibility is that investors adjust their votes for self-interest reasons. Elected officials might successfully put pressure on the institutional investors directly through threats of regulation, unfavorable media attention, or the withholding of state business (e.g., via state pension funds). In this scenario, institutions might align their voting behavior with local political leaders when such votes are unlikely to be pivotal or when doing so maximizes the value of the institution, not that of their portfolio company, in violation of investors' fiduciary duty.

Distinguishing between these motivations is challenging, and many of our baseline findings could be consistent with both possibilities. However, additional findings for how

¹⁶ Our baseline findings (Table 4, Column 3 and Table 6, Column 2) are also robust to controlling for the share of votes won by the Republican candidate in the most recent presidential election. We also detect a greater shift in voting for bigger firms (see Appendix Table A6), which also suggests that concerns about the political views of the state's populace are unlikely to drive our findings. Larger firms are more likely to sell products and employ workers in other states, making them less sensitive to that potential mechanism.

the observed differences in voting vary across firms and institutions suggest that fiduciary duty motives likely play some role in the observed differences. Similar heterogeneity tests yield less evidence of non-fiduciary motives. We now discuss these findings.

5.1 Shareholder value and institutional investors' fiduciary duty

To assess the potential importance of fiduciary duty motives, we start by collecting data on state-level subsidies and tax breaks for local businesses. If institutions worry that state-level politicians may withdraw support for firms that are not politically aligned, institutions' votes might be more sensitive to local politics for businesses that receive state-level subsidies and tax breaks. Cuts in such support might reduce the shareholder value of portfolio companies. For similar reasons, institutions might be more sensitive to local politics in states that provide higher aggregate levels of support to businesses.

We calculate a company's exposure to state-level support and a state's aggregate level of support for all businesses using Subsidy Tracker, a database of economic development subsidies and other forms of government financial assistance to businesses. We match firms in our sample to Subsidy Tracker and construct several measures of a firm's potential exposure to political support. To assess the possible importance of such exposure, we estimate a triple-differences specification:

$$\begin{aligned}
 \text{Likelihood of voting in support}_{i,j,m,s,t} = & \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{Subsidy} \\
 & + \beta_3 \text{Republican}_{s,t} \times \text{Subsidy} \quad (5) \\
 & + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{Subsidy} \\
 & + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t} ,
 \end{aligned}$$

where we add our independent variables of interest, *SRI*, *Republican*, *Republican* \times *SRI*, and their interaction with an indicator variable, *Subsidy*, which captures a company's potential exposure to state-level support. Table 9 displays the results.

Consistent with fiduciary motives, the observed differences in SRI support are greater in magnitude for companies that receive state-level subsidies or tax breaks. In Table 9, Column 1, *Subsidy* is defined as equal to one if the firm received subsidies from any state in the past year. In Column 2, *Subsidy* equals one only if the firm received subsidies from its headquarters state in the past year. The estimates on the triple interaction terms (*Republican* \times *SRI* \times *Subsidy*) are significantly negative in both columns, suggesting that the relationship between mutual fund voting on SRI proposals and political climate is greater among firms that receive state-level support. The observed differences are especially pronounced when the support comes from the headquarters state. Institutional investor support for SRI proposals in Republican-led states is an additional 5.66 percentage points lower for firms receiving state-level subsidies or tax breaks in their headquarters state (Table 9, Column 2; p -value < 0.01).

The decline in support for SRI proposals in Republican-led states is also greater in states with higher levels of aggregate support for local businesses. In Columns 3 and 4, we redefine *Subsidy* to flag the top 10 and 25 states for state-level support. These rankings are determined by aggregating all subsidies by state-year, scaling them by state GDP, as reported by the Bureau of Economic Analysis, and then ranking states based on their average level of support during our sample. Institutional investor support for SRI proposals is an additional 3.77 percentage points lower for firms in Republican-led states that are among the top 10 states for subsidies (Column 3; p -value < 0.05) and 4.66 percentage points lower for firms in the top 25 states (Column 4; p -value < 0.10).

If institutions are motivated by a desire to preserve the shareholder value of companies in their portfolios, we might also expect our findings to concentrate in the votes where the stock represents a larger share of the institution's overall AUM. We find exactly that. Institutions' likelihood of voting against SRI proposals in Republican-led states is even lower when their relative financial exposure to the firm is among the largest

for institutions and when the stock's share of their AUM is higher (Table 10).

To further examine whether mutual funds vote in a manner consistent with maximizing shareholder value, we next investigate whether the market responds differently to the passage of SRI proposals in Republican-led states. As shown in Table 7, SRI proposals are 16.5 percentage points less likely to pass in Republican-led states. Because we find no evidence that SRI proposals are less common in Republican-led states (see Section 6.1), the combined findings suggest a decline in the number of passed SRI proposals in Republican-led states. If this shift in passage rates reflects a larger set of SRI proposals being value-destructive in Republican-led states (e.g., because adopting the proposal might put subsidies and tax breaks at risk) and investors appropriately voting them down, we should expect to observe little difference in the market reactions to passed SRI proposals in Republican- and Democrat-led states.

Consistent with a potential mechanism connected to fiduciary duties, we do not find any evidence that the political affiliation of a firm's home state correlates with the relationship between CARs and the narrow passage of contested SRI proposals. Appendix Table A7 reports the findings. In Appendix Table A7, we focus on contested SRI proposals, as prior research (Cunat, Gine, and Guadalupe, 2012) shows that the market responds primarily to such proposals. Using three different asset pricing models to calculate cumulative abnormal returns over different windows around the passage, we find little evidence that announcement returns differ in Republican-led states.¹⁷

5.2 Institutional investor self-interest and non-fiduciary motives

We find less evidence that institutional investors are voting to maximize the value of the institution, not their portfolio company. If this mechanism were important, we

¹⁷ While suggestive, this result should be interpreted with caution. Tests with known sample selection (as true here, due to the observed difference in passage rates) are challenging to interpret.

would expect the observed political alignment to be less in cases where the mutual fund's vote is more likely to be pivotal (and hence, more likely to impact the portfolio company). However, we find that institutional investors' votes tend to be more (not less) aligned in cases where they are one of the largest owners of the firm, and hence, more likely to be pivotal (Appendix Table A8). Moreover, we find no evidence that the observed findings differ in closely contested SRI proposals where individual votes are more likely to be pivotal (Appendix Table A9).¹⁸ We also do not find evidence that foreign institutions, which might be less subject to political pressures from governors and other local politicians, are less likely to vote in politically aligned ways (Appendix Table A10).

These non-results suggest that state politicians might lack effective ways to pressure institutional investors directly through threats of regulation or the withholding of state business. For example, while Florida's 2022 decision to pull its \$2 billion in state-managed funds from BlackRock received wide media coverage, it was only 0.025% of BlackRock's overall AUM, suggesting the economic impact on BlackRock was small. However, these non-findings do not exclude the possibility that some institutions are acting in their self-interest (and against their fiduciary duties). For example, the similar voting patterns of foreign and domestic institutions do not preclude the possibility that some domestic institutions are partly motivated by non-fiduciary reasons.

6. Robustness tests and additional analysis

In this section, we conduct additional tests to examine the robustness of our findings and explore alternative mechanisms. We start by analyzing potential sample-

¹⁸ These findings differ from Michaely, Ordóñez-Calafi, and Rubio (2024), which shows that environmental and social (ES) funds in non-ES families are less likely to support ES proposals that are close to the majority threshold. They refer to this as a greenwashing strategy by ES funds in non-ES fund families. Our test is not focused on this subset of funds. Moreover, our test assesses whether there are differences in voting patterns in closely contested proposals across states, meaning it is testing a different type of strategic voting. The lack of a difference in voting for close contests across states suggests that institutional investors are not just pretending to listen to governors. Instead, it suggests the investors perceive there to be different value implications of SRI proposals across states, and they vote their shares accordingly.

selection concerns, which could be relevant for interpreting our estimates if Republican leadership correlates with changes in the observed frequency or composition of SRI proposal types. We also analyze whether Republican leadership correlates with the vote recommendations from management and ISS. We then analyze the robustness of our baseline findings to the choice of controls, including time-varying macroeconomic conditions, which, if systematically correlated with the direction of political transitions, could provide an alternative explanation for within-state changes in voting patterns. We also test the robustness of our findings to changing how we define a state's political affiliation and to excluding the states of Florida and Texas. Finally, we analyze whether our findings differ based on media coverage and other forms of heterogeneity.

6.1 Sample selection and the composition of SRI proposals

We first conduct analyses to assess potential sample selection and its implications for interpreting our findings. Sample selection might occur if a state's political leadership affects the frequency and composition of observed SRI proposals. Such a shift in composition might occur if activists tailor their SRI proposals to reflect the local political environment or if managers' aggressiveness and success in excluding SRI proposals from proxy materials differ when Republicans are in control of the state government.

If present, sample selection would likely lead to outcomes that are the opposite of what we find. Specifically, if state-level politics affect the composition and frequency of SRI proposals, the most likely impact would be a reduction in the frequency of especially liberal SRI proposals in Republican-led states, as proposal sponsors anticipate less investor support and managers work harder to exclude them from proxy materials. If true, this self-selection would increase the relative support for SRI proposals in Republican-led states, all else equal, because the shift in proposal composition makes it easier for investors to support the proposals in those states. However, we observe the

opposite, suggesting that sample selection is unlikely to explain our key finding.

Moreover, inconsistent with sample selection, we find no evidence that firms are more or less likely to face SRI proposals in Republican-led states. Appendix Table A11 reports these findings. The likelihood of a shareholder meeting having at least one SRI proposal is not statistically different in Republican-led states (Appendix Table A11, Column 1), nor is the likelihood of a proposal being classified as SRI (Column 2).¹⁹

We also find no evidence that the composition of SRI proposal types differs in Republican-led states. Appendix Table A12 reports these findings. Using the 10 SRI BERTopic classifications created using proposal names (see Appendix Table A1), we find that firms in Republican-led states are equally likely to experience SRI proposals of specific types. We also find no difference in the likelihood of an unclassified SRI proposal (Column 11). Beyond lacking statistical significance, the point estimate for each proposal type is economically small, with each being less than one percentage point. The findings are similar when we instead use the 14 proposal type classifications provided by Voting Analytics for shareholder proposals it flags as SRI-related (Appendix Table A12, Panel B).

Nor do we find evidence that the political tilt of the proposal text itself varies for SRI proposals observed in Republican-led states. For each SRI proposal in our sample, we used ChatGPT to classify the text as either *far left*, *center left*, *center*, *center right*, *far right*, or *not sure*.²⁰ As one might expect, most proposals are classified as left-leaning, with about 95% of proposals receiving a *center left* or *far left* classification. Inconsistent with sample selection, the distribution of classifications is similar in Republican- and Democrat-led states (Appendix Table A13), and in a proposal-level regression, we find no

¹⁹ The regressions in Appendix Table A12 are run on our baseline sample. In untabulated estimates, we also find insignificant differences in either the likelihood of a shareholder meeting with at least one SRI proposal or the likelihood of a proposal being classified as SRI proposal when using the stacked sample.

²⁰ We use the following prompt to assess the political tilt of each proposal: “Based solely on the content of the proposal—disregarding any responses or commentary from the board or management—assess the political tilt of the proposal and classify it into one of the following categories: ‘Far Left’, ‘Center Left’, ‘Center’, ‘Center Right’, ‘Far Right’ or ‘Not Sure’.”

evidence that a state's political leadership correlates with the likelihood of observing an SRI proposal in any of the five political leaning categories (Appendix Table A14).

The apparent absence of sample selection is consistent with earlier findings in the literature and sheds light on the decision process used by those who submit SRI proposals. The non-finding is consistent with evidence that activists often submit the same proposals across firms, regardless of the firm's location (Gantchev and Giannetti, 2021). Our findings bolster that evidence; the activists submitting SRI proposals do not appear to fine-tune their proposals to state-level politics. One possible explanation for this lack of fine-tuning could be that the costs of adjusting proposals are too significant or that the perceived benefits are low. The latter might be true if the average SRI proposal sponsor does not expect the proposal to be adopted, regardless of any fine-tuning, or has alternative motives for submitting the proposal, including symbolism and a desire to bring attention to certain social issues (e.g., Loss and Seligman, 2004; Flammer, 2015).

Finally, our findings are also robust to controlling for SRI proposal type, providing further evidence that our findings do not reflect a shift in the composition of SRI proposals. Appendix Table A15 reports these findings. To show this robustness, we replace our institution-by-month-by-SRI, industry-by-month-by-SRI, and state-by-SRI fixed effects with institution-by-month, industry-by-month, and state fixed effects that instead vary with an SRI proposal's topic classification. These more granular fixed effects allow us to analyze how voting differs within each SRI topic. Using the 10 BERTopic classifications to create these fixed effects, we continue to find less support for SRI proposals in Republican-led states. Augmenting our baseline difference-in-differences specification (Table 4, Column 3), we find that institutions are 2.7 percentage points less likely to support an SRI proposal in Republican-led states after controlling for how votes vary by SRI proposal type (p -value < 0.05 ; Appendix Table A15, Column 1). Augmenting the stacked triple-difference specification that further isolates within-state variation

(Table 6, Column 2), we find that support for SRI proposals is 3.8 percentage points lower in Republican-led states after controlling for how votes vary by SRI proposal type (p -value < 0.05 ; Column 2). The findings are similar if we instead construct the fixed effects using the 14 SRI proposal topic classifications provided by Voting Analytics (Columns 3-4).

6.2 Potential omitted variables connected to business conditions

Potential confounding changes in the business environment of states could pose another concern for interpreting our findings. Such changes could introduce an omitted variable bias in our within-state analysis if they both (1) correlate with the direction of the shift in political leadership and (2) affect the value implications of SRI proposals for firms in that state. For example, the interpretation of our findings would be different if Republican governors tend to lead during periods of strong state-level economic conditions and such conditions cause investors to view SRI proposals less favorably.

However, we find no evidence to support this alternative mechanism. First, we find no evidence that key state-level macroeconomic indicators (GDP growth, personal consumption expenditures, personal income, and employment) are systematically different in Republican-led states during our sample period (Appendix Table A16). This finding holds whether using macroeconomic indicators measured in levels (Appendix Table A16, Columns 1-4) or log-transformed values (Columns 5-8). Second, our baseline estimates, including those from the within-state analysis, are largely unchanged when these state-level, time-varying macroeconomic variables are included as additional controls (Appendix Table A17). Finally, the absence of pre-trends (Figure 3) also mitigates concerns that time-varying business conditions might drive both changes in political leadership and the value implications of SRI proposals. If they contribute to leadership changes, such factors would likely create a pre-trend. Overall, these findings do not support an alternative explanation connected to business conditions.

6.3 Likelihood that management or ISS support the proposal

We next investigate whether the proposal-level control variables used in our study, *Management recommends support* and *ISS recommends support*, vary in Republican-led states. Differences in support might occur if state-level political considerations cause managers or ISS to adjust their vote recommendations for SRI proposals.

We find no evidence that management or ISS recommendations vary in Republican-led states. Appendix Table A18 reports these estimates. Using the same proposal-by-institution data structure as in our earlier analysis, we find no evidence that the average level of support from managers varies for SRI proposals in Republican-led states (Appendix Table A18, Column 1). This non-result is unsurprising as managers rarely support SRI proposals (see Table 3). There is also no evidence of a difference in ISS's recommendation (Column 3), suggesting that ISS does not factor political considerations into its recommendations. Beyond lacking statistical significance, both point estimates are also economically small, with each being less than one percentage point. We find similar non-results when we repeat the analysis at the proposal-level, which is the unit of analysis by which each outcome is constructed. Controlling for firm and month fixed effects in a proposal-level estimation, there is no evidence that ISS or management support for SRI proposals varies in Republican states (Columns 2 and 4).²¹

6.4 Robustness to alternative controls and clustering choice

These non-results also suggest that the inclusion of proposal-level controls in our baseline specification does not introduce a bias related to “bad controls” (e.g., see Angrist and Pischke, 2009). Consistent with a lack of bias, our point estimates (Table 4, Column 3 and Table 6, Column 2) are similar when dropping the proposal-level controls. The main

²¹ We also find no evidence of a change in the likelihood that either ISS or management recommend investors “abstain,” “withhold,” or “do not vote” on SRI proposals. Such recommendations are uncommon, accounting for less than 4% of ISS recommendations and less than 1% of management recommendations.

change is an increase in the estimated standard errors (see Appendix Table A19, Columns 1 & 4). The decreased precision of the estimate likely reflects that vote recommendations are key determinants of institutional votes. A reduction in precision but similar point estimates is also seen when restricting our estimation to post-2012 years (Columns 2-3).

Adding more controls also does not change the baseline finding. For example, allowing the vote recommendation controls to vary for SRI proposals by including an additional SRI interaction with each control has little impact on the estimates (see Appendix Table A20). Moreover, replacing our state-by-SRI-by-event fixed effects in the stacked specification with state-by-institution-by-SRI-by-event fixed effects also does not meaningfully affect the estimates (see Appendix Table A21). These latter estimates isolate variation in SRI votes by the same institution in the same state. In untabulated analysis, we also find that including controls for proposal sponsor type (e.g., individual, institution, etc.) does not impact our findings. In most cases, there is no residual variation in proposal sponsors after we partial out the other fixed effects. We also find no evidence that proposal sponsor types differ in Republican-led states.

The findings are also robust to double clustering by institution. In fact, double clustering at the state and fund-family levels yields lower standard errors for our baseline findings in Tables 4 and 6 (Appendix Table A22). For that reason, we rely on the more conservative standard errors produced when only clustering at the state level.

6.5 Alternative measures of each state’s political landscape

We next analyze whether our findings are robust to using a large language model (LLM) to measure a state’s political landscape. Instead of using a governor’s political affiliation to proxy for a state’s political climate involving SRI-related policies, we use an LLM to classify each governor’s SRI-related views. Specifically, we use OpenAI’s GPT-4o to evaluate each governor’s stance on the adoption of SRI-related policies by firms within

their state.²² Based on the responses, we classify each governor’s SRI views as *strongly discourage*, *discourage*, *remain neutral*, *encourage*, *strongly encourage*, or *not sure*. Appendix Table A23 reports the frequency of each classification by political affiliation.

The LLM classifications support our use of political affiliations to proxy for governors’ political views. The LLM classifies most Democratic governors as *encourage* or *strongly encourage*, while it classifies most Republican governors as *discourage* or *strongly discourage*. The LLM classifications also suggest that governors’ SRI-related views became increasingly polarized beginning around 2011. Appendix Figure A1 illustrates this finding by plotting the time series of the average governor’s ESG stance by party affiliation after assigning a value of 2 to *strongly discourage*, 1 to *discourage*, 0 to *remain neutral* or *not sure*, –1 to *encourage*, and –2 to *strongly encourage*. The timing of this increased polarization is consistent with our finding that institutions only became less supportive of SRI proposals in Republican-led states after 2012 (see Table 5).

Our baseline findings are robust to using this alternative proxy for each governor’s SRI-related views. To illustrate this robustness, we construct *NegESG*, a variable that assigns a value of 2 to *strongly discourage*, 1 to *discourage*, 0 to *not sure*, –1 to *encourage*, and –2 to *strongly encourage*. We then repeat our baseline estimation from Table 4 using *NegESG* as our key proxy for a governor’s SRI-related political views. The findings using this alternative measure are similar. Mutual funds are less likely to vote in support of SRI proposals when the firm is headquartered in a state where an LLM classifies the views of the current governor as more discouraging of SRI-related activities (Appendix Table A24, Column 1). The results are similar if we instead define *NegESG* using less granular categories, where we assign a value of 1 to both *strongly discourage*

²² Specifically, we ask, “How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. Use the following format for your answers: 'choice - explanation.' If unsure, respond with 'not sure.'”

and *discourage*, 0 to *not sure*, and -1 to both *encourage* and *strongly encourage* (Column 2). The similarity of the LLM-based results is not surprising as the LLM-based measures are highly correlated with governors' political affiliations (Appendix Table A23). In a regression that includes both proxies—a governor's political affiliation and the LLM-based measure—we find evidence that each measure is predictive of institutional investor votes, but the estimates are less precise due to multicollinearity (Columns 3-4).²³

Our baseline finding is also robust to using a measure of each state's political landscape that accounts for a political party's extent of state-level control beyond the governorship. To illustrate this robustness, we re-estimate eq. (1) after replacing *Republican* with *Republican Control*, an indicator variable that equals one if the corresponding firm is in a state with unified Republican control (i.e., Republicans hold the governorship and seat majorities in both the state house and senate). Appendix Table A25, Column 1 displays the results of this estimation. Compared with the baseline result (Table 4, Column 3), the estimated coefficient is of similar magnitude and statistical significance. In states with unified Republican control, institutional investors are 4.0 percentage points less likely to support SRI proposals (p -value < 0.01).

However, there is suggestive evidence that the observed decline in SRI support is larger in states with unified Republican control. Appendix Table A25, Column 2, shows this finding. In Column 2, we add interactions for *Republican Governor Only*, which flags states where Republicans hold the governor's office but do not control both the house and senate, and *Democrat Governor Only*, which flags states where Democrats hold the

²³ While illustrative, the LLM-based measure has several potential weaknesses. First, the LLM struggles to assess the views of governors who rarely mention SRI-related activities in their speeches. The LLM model classifies 45% of the governors as *neutral* or *not sure*. Second, the LLM may overlook the overall significance of political affiliation. Investors might infer a governor's views based on their political affiliation, even in the absence of direct commentary by that governor about SRI-related activities. Third, the LLM-based measure point estimates are more challenging to interpret, as they capture nebulous increments in governors' views. For example, it is not clear how to interpret the 1.6 percentage point drop in the likelihood of supporting the SRI proposal for a one unit increase in *NegESG*. The use of political affiliations enables more precise statements regarding economic magnitudes.

governor's office but do not control both the house and senate. The excluded category is states where the Democrat party holds both the governorship and majorities in the house and senate. The point estimate for unified Republican control is 40% larger than for states where Republicans hold only the governorship (Column 2), but the difference is not statistically significant (p -value of difference = 0.32). There is little evidence that institutional investors' support for SRI proposals differs between states with unified Democrat control or states where the Democrat party only holds the governorship.

6.6 Alternative measure of state-level exposure

Our baseline finding is also robust to replacing headquarter locations with an alternative proxy of each firm's state-level exposure. To illustrate this robustness, we follow Garcia and Norli (2012) and count the frequency at which each firm mentions every state in its annual 10-K filings (Items 1-2 and 6-7). We then identify the most frequently mentioned state for each firm-year and redefine *Republican* as an indicator variable that equals one if the most frequently mentioned state in the previous year is currently led by a Republican governor. We use counts from the previous 10-K filing to avoid potential reverse causality concerns. Appendix Table A26, Column 1 displays the results of this estimation. Compared with the baseline result (Table 4, Column 3), the estimated coefficient is of similar magnitude and statistical significance. The finding is similar if we instead replace *Republican* with the proportion of last year's 10-K mentions that are for states currently led by a Republican governor (Appendix Table A26, Column 2).

6.7 Florida and Texas

Our findings are also robust to excluding, Florida and Texas, two states where the governors have been particularly vocal about institutions' SRI & CSR stances. Our baseline finding (Table 4, Column 3) is robust to excluding either or both states (Appendix Table A27). Moreover, neither of these two states contribute to our within-state estimates

because they do not experience a change in political leadership during our sample period.

6.8 Heterogeneity by media coverage, institution, and SRI proposal type

Greater media coverage might increase the likelihood of politicians becoming aware of a firm's SRI-related activities. If true, firms and institutions more frequently covered by the media could be more sensitive to political considerations. Consistent with this possibility, we find suggestive evidence that the decline in SRI support also concentrates among firms and institutions with a greater past media coverage, as measured using the number of media articles in Factiva (Appendix Table A28).

We next analyze heterogeneity across institutions. Interestingly, we find no evidence that our findings vary with whether the institution is headquartered in a Republican-led state. The decline in support for SRI proposals in Republican-led states is similar for both institutions headquartered in Republican-led states and institutions headquartered in Democrat-led states. We also find little evidence that the political affiliation of an institution's headquarter state directly predicts its overall level of SRI support. However, the observed differences in investor support are more prominent among the largest institutions, as measured using AUM (Appendix Table A29). This heterogeneity could reflect many factors. For example, larger institutions might be more sensitive to direct political pressure from state politicians. Larger institutions might also pay more attention or devote more resources to their voting decisions, making them more likely to be aware of potential political ramifications for SRI-related proposals.

Finally, we investigate whether our baseline result is driven by a particular type of SRI proposal. To assess this possibility, we further classify each SRI proposal as either environmental- and social-related following guidance from the Sustainability Accounting Standards Board (SASB) standards. Specifically, we manually align each of the 1,599 unique SRI resolutions in our sample with topics categorized under the SASB ESG

framework, and we use its framework to classify SRI proposals as either environmental (E) or social (S).²⁴ We then estimate:

$$\begin{aligned}
 \text{Likelihood of voting in support}_{i,j,m,s,t} = & \beta_1 SRI_{Ej} + \beta_2 SRI_{Sj} \\
 & + \beta_3 Republican_{j,s,t} \times SRI_{Ej} \\
 & + \beta_4 Republican_{j,s,t} \times SRI_{Sj} + \gamma X_j \\
 & + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,t} \tag{6}
 \end{aligned}$$

where SRI_E is an indicator variable that equals one if the SRI proposal j is connected to environmental issues and SRI_S is an indicator variable equal to one if the proposal is instead connected to social issues. The rest of variables are defined as before. The modified specification is consistent with the spirit of our baseline approach but allows us to examine each SRI proposal separately. Appendix Table A30 reports the results.

Both environmental and social SRI proposals drive the baseline result. We start by including the same set of fixed effects to the baseline specification. The estimated coefficient of $Republican \times SRI_E$ and $Republican \times SRI_S$ are -0.046 and -0.034, respectively, indicating that institutional investor support for environmental proposals is 4.6 percentage points lower in Republican-led states (Appendix Table A30, Column 1; p -value < 0.01) and 3.4 percentage points lower for social proposals (p -value < 0.01). Additionally, we cannot reject the null hypothesis that the two coefficients are the same (p -value = 0.32). Next, we further partial out concerns on potential confounding factors at the proposal-type-level by replacing the institution-by-month-by-SRI fixed effects with institution-by-month-by-SRI_E and institution-by-month-by-SRI_S fixed effects. We make a similar adjustment to the industry-level fixed effects. While the coefficient for the SRI_E interaction is no longer statistically significant, its magnitude is similar to that of

²⁴ The SASB Standards have been widely adopted by corporations, investors, and analysts to identify and classify ESG issues that could impact companies' financial performance and investor decision-making. Khan, Serafeim, and Yoon (2016) also use SASB metrics to identify material ESG issues.

the *SRI_S* interaction, and we cannot reject the null hypothesis that the two coefficients are equal (Column 2; *p*-value of 0.64). Overall, these results suggest that our main findings are not driven solely by either environmental or social SRI proposals.

7. Conclusion

Institutional investors can be a key driver of firms undertaking activities related to environmental, social, and other CSR issues (e.g., Dyck et al., 2019; Chen et al., 2020; Yegen, 2020; Gormley et al., 2023). At the same time, politicians increasingly seek to shape corporate policies that touch upon environmental and social issues (Gelles and Tabuchi, 2022). For example, elected officials try to alter firms' shareholder value-maximizing strategies through regulations, subsidies, or other means. If these tools are sufficiently powerful, institutional investors might also pressure firms to align their policies with the views of local political leaders, consistent with investors' fiduciary duty. Our study delves into this possible intricate interplay between the local political landscape and institutional investors' activities connected to environmental and social issues.

Consistent with local politicians having an ability to shift firms' value-maximizing strategies, we find a negative association between institutional investors' support for environmental- and social-related proposals and Republican party rule in a firm's home state. The negative association holds even after we partial out confounding factors that might drive differences in support for proposals at the firm-, industry-, institution-, or time-level. The differences also hold if we instead use within-state changes in political leadership as an additional source of identification: support increases when a Democrat replaces a Republican governor, and support decreases when a Republican replaces a Democrat governor. The observed shift also coincides with the timing of the election and corresponds to a lower likelihood of SRI proposals passing in Republican-led states.

The evidence suggests that observed differences in investor support for SRI

proposals are likely connected to political considerations and investors' fiduciary duties. The lower support for SRI- and CSR-related issues in Republican-led states concentrates on (i) more recent years, coinciding with the increase in political polarization and state-level politicians' focus on SRI and CSR activities, (ii) firms that receive state-level tax breaks or subsidies, which likely increases the exposure of a company's stock value to political considerations, and (iii) institutions with a larger share of their AUM in that stock. The findings also hold in elections with a smaller victory margin or a smaller shift in the popularity of the winning party, suggesting that investors are responding to newly elected leaders rather than a shift in the underlying political tilt of the state's populace. We find little evidence that institutional investors might be shifting their SRI-related votes to maximize the value of the institution, not their portfolio company.

Our findings highlight an additional channel by which politicians can likely shape corporate policies and expand our understanding of how the political polarization of SRI- and CSR-related activities might affect institutional investors' engagement. The determinants of institutional investor proxy voting choices can be complicated. Institutions must balance several competing interests, and because of these competing interests, the drivers of institutional investors' varying degrees of engagement on SRI-related matters are not well understood. Our findings suggest that political considerations are a likely determinant of institutional investors' SRI choice. Our findings also suggest an additional obstacle firms might face when pursuing CSR activities—a lack of support from investors when local politicians oppose such activities.

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Figure 1

Likelihood of SRI proposals by year and type of governor.

This figure plots the likelihood of having an SRI proposal in shareholder meetings for firms in Democratic- versus Republican-led states from 2006 to June 2021.

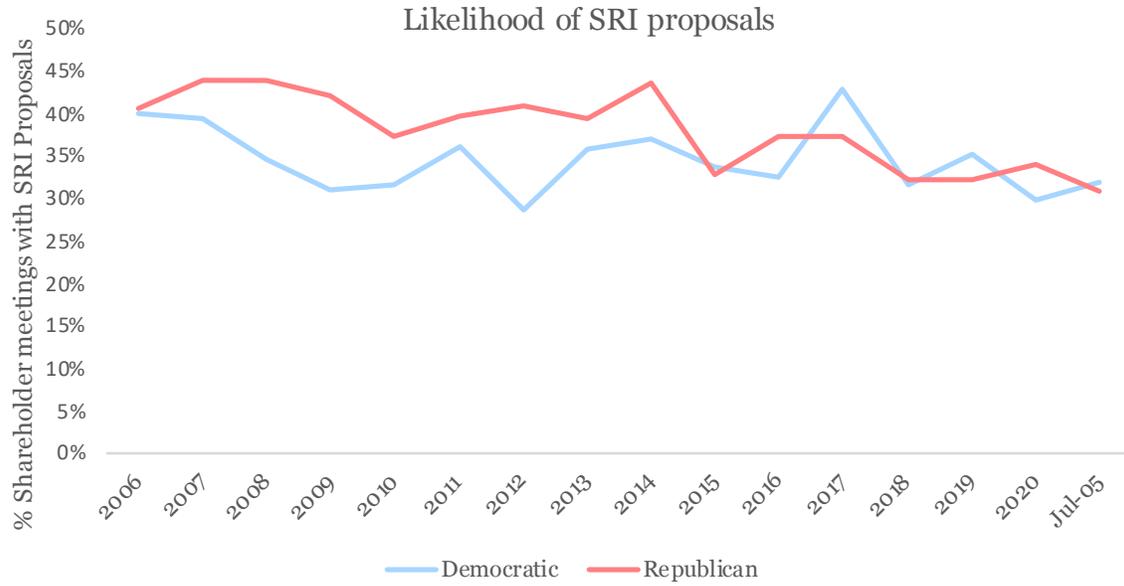


Figure 2

Political affiliations of state governors by year.

This figure depicts the political affiliations of state governors by year, with blue indicating Democrats and red representing Republicans. As gubernatorial elections are commonly conducted in November, we attribute election outcomes to the years succeeding an election year, extending until the subsequent election year for that specific state.

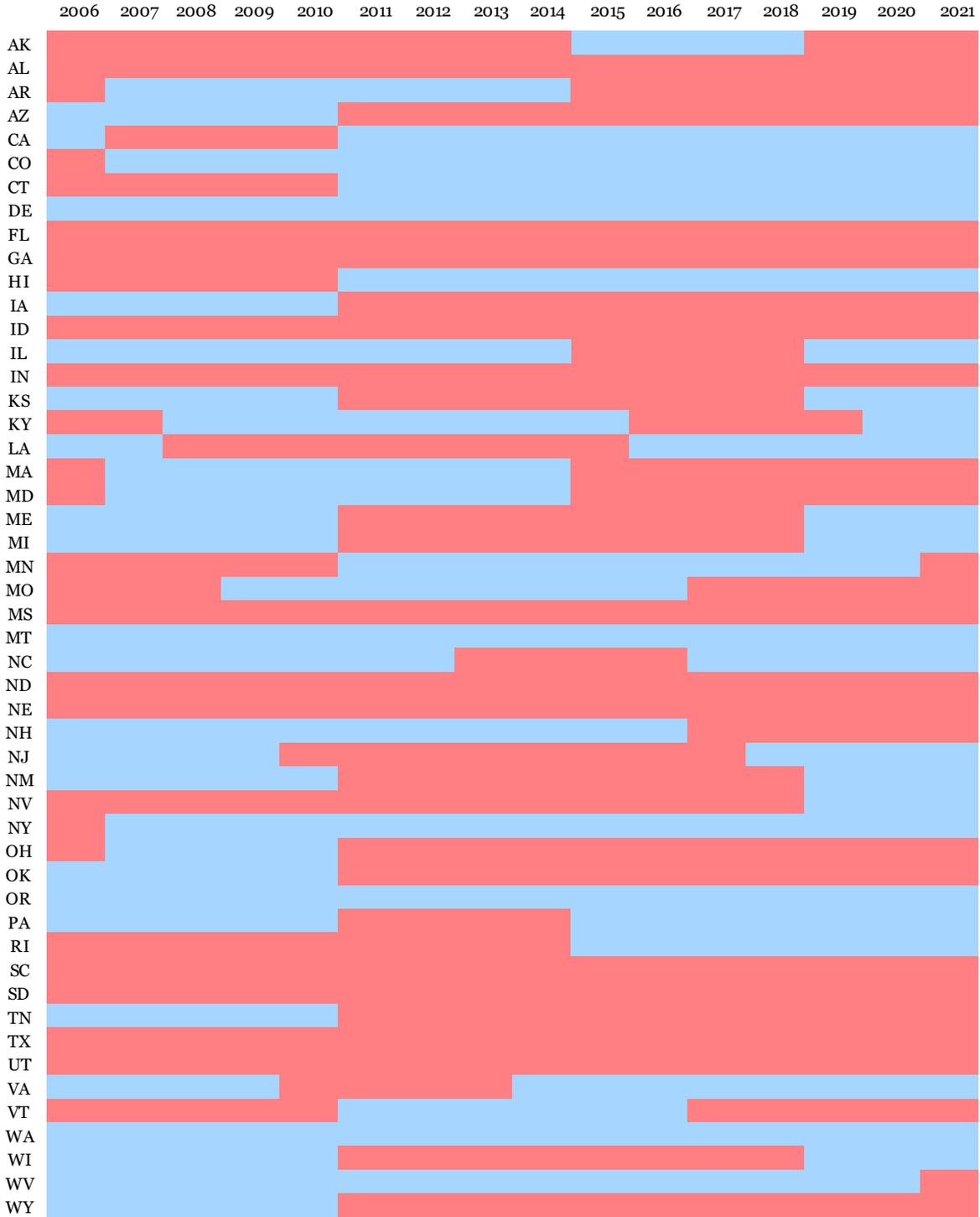


Figure 3

Timing of observed change in within-state SRI support.

This figure displays the 95% confidence interval of estimated $\hat{\beta}'s$ derived from the following regression,

$$\text{Likelihood of voting in support}_{e,i,j,m,s,t} = (\beta_1 \text{Pre4} + \beta_2 \text{Pre3} + \beta_3 \text{Pre2} + \beta_4 \text{Post1} + \beta_5 \text{Post2} + \beta_6 \text{Post3} + \beta_7 \text{Post4}) * \text{Treated}_{e,s} * \text{SRI}_{e,j} + \gamma X_j + \theta_{e,m} + \mu_{e,i,t,\text{SRI}} + \pi_{e,\text{ind},t,\text{SRI}} + \vartheta_{e,s,\text{SRI}} + \varepsilon_{e,i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for the set of observations pertaining to event year *e* and state *s*. For each event year *e* where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the to four years post-election. For each event, *Pre4*, *Pre3* and *Pre2* equals 1 if the sample corresponds to 4, 3, or 2 years before the election (note that the year of the election itself, is excluded from the sample to avoid collinearity); similarly, *Post1*, *Post2*, *Post3*, and *Post4* equals 1 if the sample corresponds to first, second, third, and fourth years of the newly elected governor's term. In Panel A, we restrict the set of events to states that switch from Democrat to Republican, and in Panel B, we restrict the set of events to states that switch from Republican to Democrat. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are adjusted for heteroskedasticity and clustered at the state level.

Point estimate

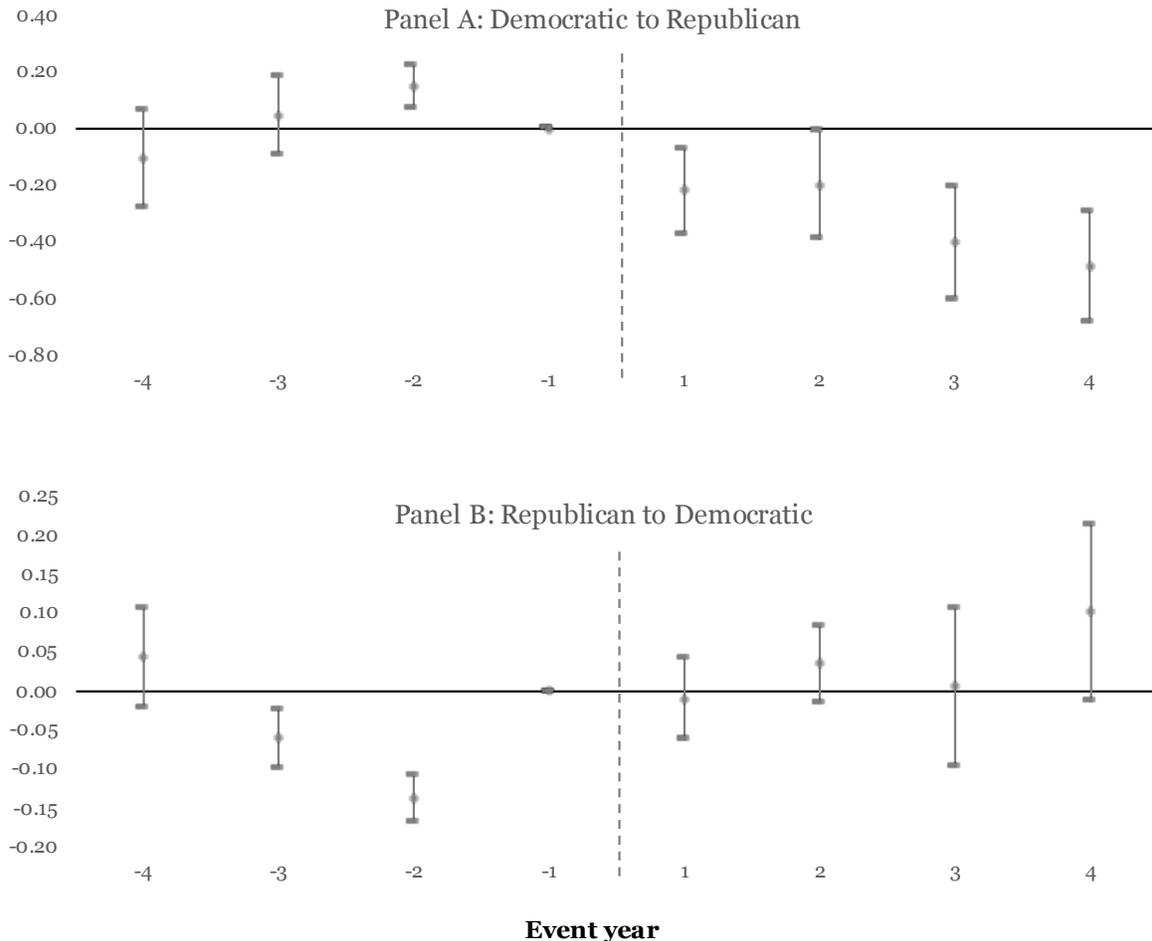


Table 1

Example political disputes between governors, firms, and institutions.

This table lists sample anecdotes related to political disputes involving state governors with firms (Panel A) and institutions (Panel B).

Year	Party	State	Governor	Firm/Institution	Issue
<i>Panel A: Disputes with firms</i>					
2011	Democrat	CA	Jerry Brown	Pacific Gas and Electric	Aggressive renewables portfolio standard
2014	Republican	WI	Scott Walker	Trek Bicycle	Outsourcing American jobs
2016	Republican	IN	Mike Pence	Salesforce	LGBTQ rights
2018	Republican	GA	Casey Cagle	Delta	Discount program for NRA members
2019	Republican	FL	Ron DeSantis	Airbnb	Discrimination against Israel
2019	Republican	TX	Greg Abbott	Apple, Amazon, Dell, Facebook	Anti-LGBTQ House bill
2019	Democrat	WI	Tony Evers	Foxxconn	Environmental concerns
2020	Democrat	MI	Gretchen Whitmer	Enbridge	Environmental risks to Great Lakes
2021	Republican	TX	Greg Abbott	Facebook	Censorship of conservative voices
2021	Republican	GA	Brian Kemp	Coca-Cola, Delta	Voting law tightening voter ID requirements and limiting ballot access
<i>Panel B: Disputes with institutions</i>					
2016	Democrat	NY	Andrew Cuomo	All Institutions	Banning investment in institutions/ companies that boycott Israel
2018	Democrat	NY	Andrew Cuomo	All Institutions	Discourage ties to the NRA
2019	Democrat	WA	Jay Inslee	BlackRock, JP Morgan	Reduce investments in fossil fuels
2021	Republican	TX	Greg Abbott	BlackRock	ESG policies against oil and gas sector
2021	Republican	IA	Kim Reynolds	BlackRock, Vanguard	Legislation restricting investment in firms that prioritize ESG factors
2022	Republican	FL	Ron DeSantis	BlackRock	House bill restricting the use of ESG factors in investment decisions

Table 2

Number of SRI proposals and vote outcomes by year.

This table presents the number of SRI proposals, percentage of SRI proposals that crossed approval threshold, and percentage of SRI proposals where the support for the proposal was within five percentage points of the approval threshold from 2006 to June 2021 in our sample.

Year	# SRI Proposals	% passed	% contested
2006	163	1.23%	0.61%
2007	180	0.56%	0.56%
2008	190	1.05%	1.58%
2009	157	0.64%	1.27%
2010	134	0.75%	0.75%
2011	127	0.79%	1.57%
2012	144	0.00%	1.39%
2013	158	3.16%	1.90%
2014	196	1.02%	1.02%
2015	195	0.00%	0.00%
2016	196	2.04%	2.55%
2017	199	2.01%	3.02%
2018	145	8.28%	7.59%
2019	142	3.52%	8.45%
2020	154	11.69%	12.99%
2021	130	22.31%	9.23%
Total	2,610	3.69%	3.40%

Table 3

Summary statistics.

This table describes the summary statistics of variables used in our proposal-by-institution-level analysis. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. *Likelihood of voting in support* is measured at the institution (i.e., fund family) level using the share of the institution's funds that cast votes in support of the proposal. *Republican* is an indicator variable that equals 1 if the focal firm is located in a state where the Republican party holds the office of governor at the time the proposal is voted on. *SRI* is an indicator variable that equals 1 if the proposal is related to socially responsible issues. *Management recommends support* and *ISS recommends support* are indicator variables set to 1 if management or ISS recommend supporting for the focal proposal. The number of observations (Obs.), mean, and standard deviation (SD) are reported both for the full sample (Panel A) and for the subsample of SRI proposals (Panel B).

	Obs.	Mean	SD
<u>Panel A: Full sample of shareholder proposals</u>			
<i>Likelihood of voting in support</i>	779,906	44.4%	47.4%
<i>SRI</i>	779,906	32.4%	46.8%
<i>Republican</i>	779,906	43.9%	49.6%
<i>Management recommends support</i>	779,906	6.4%	24.4%
<i>ISS recommends support</i>	779,906	67.4%	46.9%
<u>Panel B: SRI proposals only</u>			
<i>Likelihood of voting in support</i>	252,473	31.5%	44.0%
<i>Republican</i>	252,473	47.2%	49.9%
<i>Management recommends support</i>	252,473	0.4%	6.0%
<i>ISS recommends support</i>	252,473	57.4%	49.4%

Table 4

Institutions' support for SRI proposals in Republican-led states.

This table displays coefficients from a proposal-by-institution-level regression that examines the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor in the firm's headquarters state. Specifically, we estimate

$$\begin{aligned} \text{Likelihood of voting in support}_{i,j,m,s,t} = & \beta_1 SRI_j + \beta_2 Republican_{s,t} \times SRI_j \\ & + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t}, \end{aligned}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =		
	<i>Likelihood of voting in support</i>		
	(1)	(2)	(3)
<i>SRI</i>	-0.0836*** (-11.69)		
<i>Republican</i> × <i>SRI</i>	-0.0236** (-2.37)	-0.0404*** (-3.90)	-0.0413*** (-4.15)
Controls	Y	Y	Y
Meeting fixed effects	Y	Y	Y
Institution-by-month fixed effects	Y	Y	
Institution-by-month-by-SRI fixed effects			Y
Industry-by-month-by-SRI fixed effects		Y	Y
<i>N</i>	768,201	768,201	761,302
<i>R-squared</i>	0.540	0.545	0.583

Table 5

Institutions' support for SRI proposals in Republican-led states over time. This table examines the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state, segmented by presidential election term. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting fixed effect, institution-by-month-by-SRI fixed effect, and industry-by-month-by-SRI fixed effect throughout, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Columns 1-4 report estimates using the subsample observations that occur during each presidential term with at least one year of coverage: 2006-2008, 2009-2012, 2013-2016, 2017-2020. In Column 5, we report our estimates for the full sample but include an additional interaction with *Post2012*, which is a dummy that equals 1 if the sample is after year 2012. Standard errors are clustered at the state level. *t* statistics are in parentheses. ** indicates significance at the 5% level; and ***, at the 1% level.

	Dep. variable =				
	<i>Likelihood of voting in support</i>				
	(1)	(2)	(3)	(4)	(5)
<i>Republican</i> × <i>SRI</i>	-0.0068 (-0.30)	-0.0201 (-1.13)	-0.049*** (-3.09)	-0.069*** (-4.43)	-0.0135 (-1.27)
<i>Republican</i> × <i>SRI</i> × <i>Post2012</i>					-0.0519*** (-3.42)
Sample	2006- 2008	2009- 2012	2013- 2016	2017- 2020	All years
Controls	Y	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y	Y
<i>N</i>	131,452	186,219	213,646	193,792	761,302
<i>R-squared</i>	0.597	0.586	0.573	0.581	0.583

Table 6

Estimations using within-state changes in the governor's political affiliation.

This table reports within-state panel estimations that analyze the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state. Column 1 shows our baseline regression (Table 4, Column 3) after adding state-by-SRI fixed effects. For Column 2, we estimate a stacked difference-in-differences estimation that utilizes within-state variation in governors' political affiliations. Specifically, for each event year e where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the four years post-election. We then estimate

$$\begin{aligned} \text{Likelihood of voting in support}_{e,i,j,m,s,t} = & \beta_1 \text{Republican}_{e,j,t} \times \text{SRI}_{e,j} + \gamma X_{e,j} \\ & + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t} \end{aligned}$$

where *Likelihood of voting in support* is the share of institution i 's funds voting in support for proposal j at meeting m in month t for the set of observations pertaining to event year e and state s . *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. X represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i> (1)	<i>Likelihood of voting in support</i> (2)
<i>Republican</i> × <i>SRI</i>	-0.0340** (-2.46)	-0.131*** (-4.55)
Controls	Y	Y
Meeting fixed effects	Y	
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
State-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
<i>N</i>	749,470	4,725,037
<i>R-squared</i>	0.584	0.617

Table 7

Likelihood of SRI proposal passing.

This table examines the likelihood of an SRI proposal passing based on the political affiliation of the governor of the firm's headquarters state. We estimate a stacked difference-in-differences regression at the proposal-level. For each event year e where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and the four years post-election. Specifically, we estimate

$$\begin{aligned} \text{Likelihood of Pass}_{e,j,m,s,t} = & \beta_1 \text{Republican}_{e,s,t} \times \text{SRI}_{e,j} + \gamma X_{e,j} \\ & + \theta_{e,m} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,j,m,s,t} \end{aligned}$$

where the dependent variable is an indicator that equals 1 if the proposal j was passed at meeting m in month t for the set of observations pertaining to event year e and state s . *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. X represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. ** indicates significance at the 5% level.

	Dep. variable = <i>Likelihood of Pass</i> (1)
<i>Republican</i> × <i>SRI</i>	-0.165** (-2.08)
Controls	Y
Meeting-by-event fixed effects	Y
Industry-by-month-by-SRI-by-event fixed effects	Y
State-by-SRI-by-event fixed effects	Y
<i>N</i>	42,844
<i>R-squared</i>	0.669

Table 8

Stacked difference-in-difference estimates by direction of a state's political transition. This table presents the results from a stacked difference-in-differences regression that analyzes the likelihood of an institution voting in favor of a SRI proposal based on the political affiliation of the governor of the firm's home state, segmented by states switching from Republican to Democratic governor and vice versa. Specifically, we estimate

$$\begin{aligned} \text{Likelihood of voting in support}_{e,i,j,m,s,t} = & \beta_1 \text{Treated}_{esi} \times \text{Post}_{et} \times \text{SRI}_{e,j} + \gamma X_j \\ & + \theta_{e,m} + \mu_{e,i,t,SRI} + \pi_{e,ind,t,SRI} + \vartheta_{e,s,SRI} + \varepsilon_{e,i,j,m,s,t} \end{aligned}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for the set of observations pertaining to event year *e* and state *s*. For each event year *e* where a state experiences a change in the political party of the governor, we define treatment states as those where the governorship party changes. Column 1 restricts the set of events to states that switch from Democrat to Republican, and Column 2 restricts the set of events to states that switch from Republican to Democrat. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and to the four years post-election. *Treated* equals 1 if the sample belongs to treatment groups and 0 if control group. *Post* is set to 1 for post-event periods and 0 for pre-event periods. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. *** indicates significance at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i>	
	(1)	(2)
<i>Treated</i> × <i>Post</i> × <i>SRI</i>	-0.240*** (-4.48)	-0.056** (-2.65)
Treatment Group	Dem to Rep	Rep to Dem
Controls	Y	Y
Meeting-by-event fixed effects	Y	Y
State-by-SRI-by-event fixed effects	Y	Y
Institution-by-month-by-SRI-by-event fixed effects	Y	Y
Industry-by-month-by-SRI-by-event fixed effects	Y	Y
<i>N</i>	2,199,024	1,944,301
<i>R-squared</i>	0.621	0.616

Table 9

Heterogeneity in support based on state-level business subsidies and tax breaks.

This table explores whether the association between institutions' SRI voting and the political climate in the firm's home state varies based on state-level business subsidies and tax breaks. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{Subsidy} + \beta_3 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{Subsidy} + \gamma X_j + \theta_m + \mu_{i,t,SRI} + \pi_{ind,t,SRI} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. In Columns 1 and 2, we use firm-level subsidy measures, where *Subsidy* is defined as equal to one if the firm received subsidies from any state in the past year (Column 1), and if the firm received subsidies from its headquarters state in the past year (Column 2). In Columns 3 and 4, we use state-level subsidy measures, where *Subsidy* equals 1 if the corresponding firm is located in a state that ranks within the top 10 (Column 3) or top 25 (Column 4) states by total subsidy. The state rankings are based on aggregate subsidy value (from SubsidyTracker) divided by state GDP (from Bureau of Economic Analysis) averaged over the 2006-2021 period. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =			
	<i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Republican</i> × <i>SRI</i>	-0.0220 (-1.44)	-0.0307** (-2.68)	-0.0358*** (-3.19)	-0.0184 (-1.15)
<i>SRI</i> × <i>Subsidy</i>	0.0120 (0.78)	0.0249* (1.70)	-0.00616 (-0.45)	0.0374** (2.22)
<i>Republican</i> × <i>SRI</i> × <i>Subsidy</i>	-0.0290* (-2.00)	-0.0566*** (-3.65)	-0.0377** (-2.43)	-0.0466* (-1.92)
<i>Subsidy</i> definition	Firm received any state-level support in the past year	Firm received support from its headquarters state in the past year	Firm is HQ'd in a state that ranks in the Top 10 for subsidies	Firm is HQ'd in a state that ranks in the Top 25 for subsidies
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	761,302	761,302	761,302	761,302
<i>R-squared</i>	0.583	0.583	0.583	0.583

Table 10

Heterogeneity in support based on an institution's portfolio exposure.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the relative size of an institution's portfolio exposure to the firm. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{TopExposure} + \beta_3 \text{Republican}_{s,t} \times \text{TopExposure} + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{TopExposure} + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. In Columns 1 and 2, *TopExposure* equals 1 if the institution's ownership stake in the firm as a share of its AUM in year *t-1* is in the top quintile or decile for institutions; in Columns 3 and 4, *TopExposure* equals 1 the institution's holding in that firm exceeds 0.10% or 0.50% of its AUM. We calculate institution-level ownership stake using Thomson-Reuters 13F data. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =			
	<i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>TopExposure</i>	-0.0246*** (-8.50)	-0.0275*** (-5.54)	-0.0246*** (-9.25)	-0.0309*** (-4.53)
<i>Republican</i> × <i>SRI</i>	-0.0372*** (-3.74)	-0.0390*** (-3.94)	-0.0373*** (-3.75)	-0.0396*** (-3.99)
<i>SRI</i> × <i>TopExposure</i>	0.0148** (2.41)	0.0176** (2.14)	0.0153** (2.57)	0.0190** (2.30)
<i>Republican</i> × <i>TopOwner</i>	0.00824 (1.31)	0.0115 (1.31)	0.00832 (1.35)	0.0109 (1.14)
<i>Republican</i> × <i>SRI</i> × <i>TopExposure</i>	-0.0270** (-2.09)	-0.0355** (-2.53)	-0.0275** (-2.17)	-0.0346** (-2.29)
<i>TopExposure</i> Definition	Top quintile among institutions	Top decile among institutions	Holding exceeds 0.10% of AUM	Holding exceeds 0.50% of AUM
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	761,300	761,300	761,300	761,300
<i>R-squared</i>	0.583	0.583	0.583	0.583

Internet Appendix

Figure A1

Average governor opposition to SRI-related issues over years.
This figure plots governors' average stance on SRI-related issues over the years, as calculated by ChatGPT. The Y-axis plots *NegESG*, a measure of each governors' views on SRI-related issues. This variable equals 2 for *strongly discourage*, 1 for *discourage*, 0 for *not sure or neutral*, -1 for *encourage*, and -2 for *strongly encourage*, based on responses generated by ChatGPT-4o to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure?"

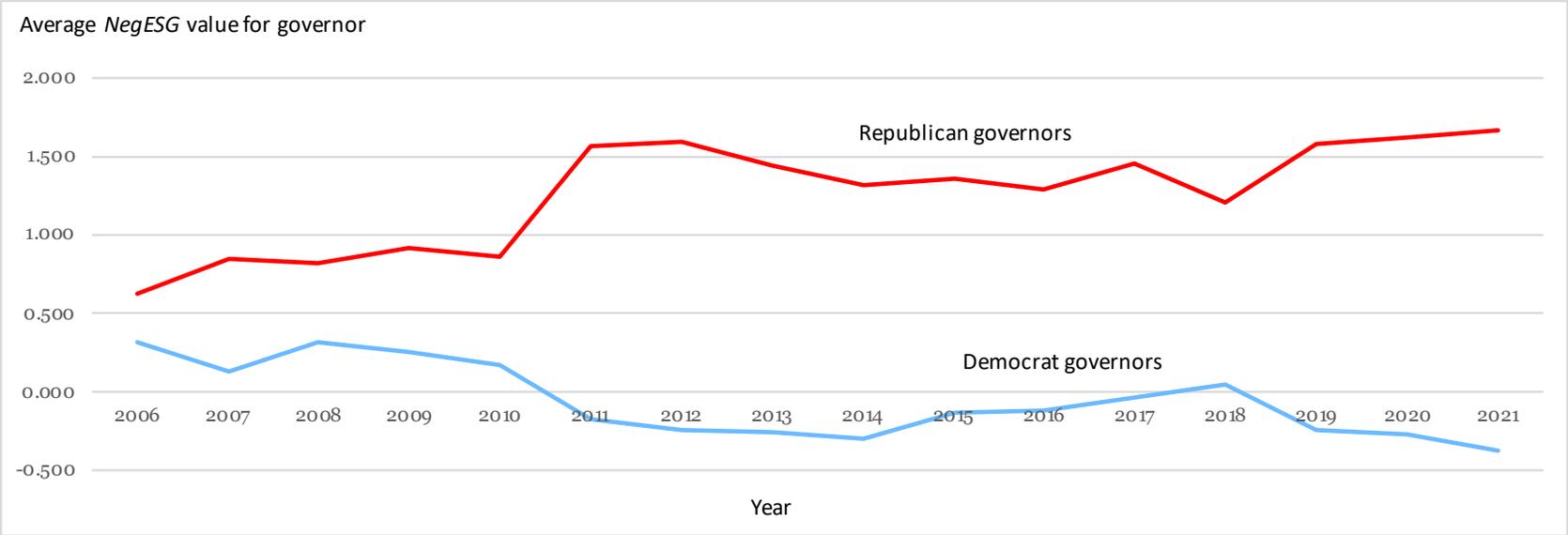


Table A1

SRI proposal topics and frequency.

This table lists the proposal topics identified by BERTopic, a pre-trained natural language processing model, when asked to use SRI proposal titles from our sample to construct 10 topics. The second column denotes the count of SRI proposals categorized by BERTopic within each topic. The third column highlights the prevalent keywords associated with each topic, while the last column presents a sample proposal title from that respective topic. Additionally, the final row denotes the number of proposals that could not be assigned a topic.

Topic #	Count	Topic Words	Representative Proposal
1	944	adopt, human, rights, report, gender, sexual	Amend EEO Policy to Prohibit Discrimination Based on Sexual Orientation and Gender Identity
2	790	political, contributions, lobbying, payments, policy, expenditure	Report on Lobbying and Political Contributions
3	399	emissions, environmental, report, energy, reduction, impact, methane	Report on Methane Emissions Management and Reduction Targets
4	120	tobacco, genetically, health, products, marketing, label	Report on the Health Impacts and Risks of Sugar in the Company's Products
5	117	sustainability, prepare, report, issue paper, goal	Prepare a Sustainability Report
6	42	charitable, contributions, disclose, report, taxexempt, organizations	Report on Charitable Contributions
7	26	land, holy, principles, adopt	Adopt Holy Land Principles
8	15	disclosure, political, contributions, report	Report on Political Contributions Disclosure
9	11	eggs, cagefree, phase, cage, chicken, hens, slaughter	Phase in cage-free eggs to 5%
10	11	macbride, implement, principles	Implement MacBride Principles
-	193	supply, chain, violations, human, risks	Report on Risks Associated with Use of Gestation Crates in Supply Chain

Table A2

Governance proposal topics and frequency.

This table lists the proposal topics identified by BERTopic, a pre-trained natural language processing model, when asked to use GOV proposal titles from our sample to construct 10 topics. The second column denotes the count of GOV proposals categorized by BERTopic within each topic. The third column highlights the prevalent keywords associated with each topic, while the last column presents a sample proposal title from the respective topic. Additionally, the final row denotes the number of proposals that could not be assigned a topic.

Topic #	Count	Topic Words	Representative Proposal
1	1,205	board, chairman, independent, declassify, require, directors, positions	Require Independent Board Chairman
2	904	special, call, by, consent, written, act, provide, right, meetings	Provide Right to Act by Written Consent
3	836	executive, compensation, advisory, named, ratify, officers, awards, equity, vesting, pay	Advisory Vote to Ratify Named Executive Officers' Compensation
4	797	majority, election, vote, for, directors, require, cumulative, voting	Require a Majority Vote for the Election of Directors
5	352	access, proxy, right, adopt, amend, amendments, reform, competition, electing, authority	Adopt Proxy Access Right
6	289	shareholder, plan, submit, recapitalization, onevote, approve, share	Approve Recapitalization Plan for all Stock to Have One-vote per Share
7	174	period, retentionholding, stock, retention, share, policy, executives, adopt, dividends, senior	Stock Retention
8	113	clawback, payments, under, restatements, policy, incentive, lending, report	Clawback of Incentive Payments
9	48	director, nominee, environmental, qualifications, experience, open, seats, nominations, require	Require Director Nominee with Environmental Experience
10	27	reincorporate, dakota, north, delaware, another, state, ohio	Reincorporate to North Dakota
-	139	policy, adopt, director, existing, terms, bonus	Adopt Policy for Engagement With Proponents of Shareholder Proposals Supported by a Majority Vote

Table A3

Summary statistics by subsample.

This table repeats the summary statistics of Table 3 for different subsamples. Panel A restricts the sample to Republican-led states; Panel B restricts the sample to Democrat-led states; and Panel C reports summary statistics for our stacked sample observations for states with no change in political affiliation.

<i>Panel A: Summary statistics for observations in Republican-led states</i>			
	Obs.	Mean	SD
<u>Subpanel A1: Full sample of shareholder proposals</u>			
<i>Likelihood of voting in support</i>	342,017	44.7%	47.4%
<i>SRI</i>	342,017	34.8%	47.6%
<i>Management recommends support</i>	342,017	7.6%	26.5%
<i>ISS recommends support</i>	342,017	68.2%	46.6%
<u>Subpanel A2: SRI proposals only</u>			
<i>Likelihood of voting in support</i>	119,110	32.7%	44.5%
<i>Management recommends support</i>	119,110	0.5%	7.4%
<i>ISS recommends support</i>	119,110	60.5%	48.9%
<i>Panel B: Summary statistics for observations in Democrat-led states</i>			
	Obs.	Mean	SD
<u>Panel A: Full sample of shareholder proposals</u>			
<i>Likelihood of voting in support</i>	437,889	44.1%	47.3%
<i>SRI</i>	437,889	30.5%	46.0%
<i>Management recommends support</i>	437,889	5.4%	22.6%
<i>ISS recommends support</i>	437,889	66.8%	47.1%
<u>Panel B: SRI proposals only</u>			
<i>Likelihood of voting in support</i>	133,363	30.4%	43.5%
<i>Management recommends support</i>	133,363	0.2%	4.5%
<i>ISS recommends support</i>	133,363	54.6%	49.8%
<i>Panel C: Summary statistics for stacked triple-difference control state observations</i>			
	Obs.	Mean	SD
<u>Panel A: Full sample of shareholder proposals</u>			
<i>Likelihood of voting in support</i>	4,633,689	45.4%	47.4%
<i>SRI</i>	4,633,689	38.9%	48.7%
<i>Management recommends support</i>	4,633,689	5.3%	22.4%
<i>ISS recommends support</i>	4,633,689	71.9%	44.9%
<u>Panel B: SRI proposals only</u>			
<i>Likelihood of voting in support</i>	1,800,762	34.9%	45.0%
<i>Management recommends support</i>	1,800,762	0.1%	3.1%
<i>ISS recommends support</i>	1,800,762	67.5%	46.8%

Table A4

Likelihood of SRI proposal passing using cross-sectional specification
 This table examines whether the likelihood of SRI proposals passing varies based on the political affiliation of the governor of the firm's headquarters state. The test is conducted at proposal-level. The dependent variable *Likelihood of Proposal Passing* equals 1 if the corresponding proposal passes. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	<i>Dep. variable = Likelihood of Proposal Passing (1)</i>
<i>Republican</i> × <i>SRI</i>	-0.0635 (-1.61)
Controls	Y
Meeting fixed effects	Y
Institution-by-month-by-SRI fixed effects	Y
Industry-by-month-by-SRI fixed effects	Y
<i>N</i>	7,021
<i>R-squared</i>	0.632

Table A5

Robustness to transitions with narrower victory margins and smaller popularity shifts. This table presents the results from estimating the stacked difference-in-differences regressions of Table 6, Column 2 and Table 8, after restricting the sample of treated states to those with closer elections or smaller shifts in the underlying popularity of the two parties. Specifically, Panel A restricts the treated sample to events with a below-median difference in the vote share of the Democrat and Republican gubernatorial candidates. Panel B restricts the treated sample to events with a below-median shift in the vote share of the two political parties, relative to the past election. For example, a state that shifts from where the Democrat loses by two percentage points in the last election to winning by three percentage points in the current election would have a shift in vote share of five percentage points. For the set of treated events, Column 1 uses all elections where there is a switch in the winning party. Column 2 restricts the set of treated events to states that switch from Democrat to Republican, and Column 3 restricts the set of treated events to states that switch from Republican to Democrat. The control group observations for each treatment event are states where there is no change in the governorship during the sample period, 2006-2021, and for each event, we restrict the sample window to the three pre-election years, year of election, and to the four years post-election. We include meeting-by-event fixed effects, institution-by-month-by-SRI-by-event fixed effects, industry-by-month-by-SRI-by-event fixed effects (where industry is defined at the 2-digit SIC level), and state-by-SRI-by-event fixed effects. The sample clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =		
	<i>Likelihood of voting in support</i>		
	(1)	(2)	(3)
Panel A: Treated sample restricted to elections with a below-median victory margin			
<i>Republican</i> × <i>SRI</i>	-0.142** (-2.24)		
<i>Treated</i> × <i>Post</i> × <i>SRI</i>		-0.217*** (-3.43)	0.0817 (0.99)
<i>N</i>	2,081,588	1,251,920	829,668
<i>R-squared</i>	0.613	0.614	0.612
Panel B: Treated sample restricted to elections with a below-median shift in the party vote shares			
<i>Republican</i> × <i>SRI</i>	-0.110*** (-3.38)		
<i>Treated</i> × <i>Post</i> × <i>SRI</i>		-0.137*** (-2.80)	0.0887* (1.78)
<i>N</i>	2,089,995	1,155,177	934,818
<i>R-squared</i>	0.612	0.614	0.610
Treatment Sample	All	Dem to Rep	Rep to Dem
Controls	Y	Y	Y
Meeting-by-event fixed effects	Y	Y	Y
State-by-SRI-by-event fixed effects	Y	Y	Y
Institution-by-month-by-SRI-by-event fixed effects	Y	Y	Y
Industry-by-month-by-SRI-by-event fixed effects	Y	Y	Y

Table A6

Heterogeneity in support based on firm size.

This table explores whether the association between an institution's SRI votes and the political climate in the firm's home state varies across size of firms. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{Large} + \beta_3 \text{Republican}_{s,t} \times \text{Large} + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{Large} + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. *Large* equals 1 if the firm size is in the top quintile (Column 1) or decile (Column 2). We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i> (1)	<i>Likelihood of voting in support</i> (2)
<i>Republican</i> × <i>SRI</i>	-0.0258* (-1.74)	-0.0289* (-1.81)
<i>SRI</i> × <i>Large</i>	0.0326* (1.95)	0.0344 (1.51)
<i>Republican</i> × <i>SRI</i> × <i>Large</i>	-0.0224 (-1.15)	-0.0244 (-0.61)
Definition for <i>Large</i> indicator (by year)	Firm size in top quintile	Firm size in top decile
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
<i>N</i>	749,470	749,470
<i>R-squared</i>	0.584	0.584

Table A7

Cumulative abnormal returns

This table examines whether the association between cumulative abnormal returns to the passage of contested SRI proposals differs with the political affiliation of the governor in the state where the firm is headquartered. We use three different asset pricing models (CAPM, FF3, and FF5) to calculate alphas and cumulative abnormal returns (as reported in Panel A, B, and C respectively). For each model, we examine whether CARs over various windows CAR(-2,2), CAR(-1,1), and CAR(0,0) differ around the passage of contested SRI proposals in Republican-led states. CAR(0,0) reflects the announcement return on the day of the vote. The regression is conducted at shareholder-meeting level, where we restrict the sample to meetings with closely contested SRI proposals and no non-SRI closely contested proposals. *Pass* equals 1 if the contested proposal passes. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor. We include year fixed effects. The sample period spans from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable =		
	CAR(-2,2) (1)	CAR(-1,1) (2)	CAR(0,0) (3)
Panel A: CAPM			
<i>Pass</i>	0.0269*** (3.91)	0.00971 (1.03)	0.00178 (0.28)
<i>Republican</i>	0.0164* (1.78)	0.00686 (1.14)	-0.00142 (-0.68)
<i>Republican</i> × <i>Pass</i>	-0.00856 (-0.48)	0.00913 (0.72)	0.00867 (0.84)
Year FE	Y	Y	Y
<i>N</i>	137	137	137
<i>R-sq</i>	0.222	0.217	0.158
Panel B: FF3			
<i>Pass</i>	0.00463 (0.38)	-0.00116 (-0.14)	-0.00257 (-0.47)
<i>Republican</i>	0.0211*** (2.78)	0.00997* (1.75)	-0.000524 (-0.24)
<i>Republican</i> × <i>Pass</i>	0.00515 (0.32)	0.0147 (1.39)	0.00769 (0.76)
Year FE	Y	Y	Y
<i>N</i>	137	137	137
<i>R-sq</i>	0.198	0.176	0.095
Panel C: FF5			
<i>Pass</i>	0.00820 (0.71)	-0.00351 (-0.32)	0.0191** (2.12)
<i>Republican</i>	0.0221*** (2.76)	0.0123* (1.99)	0.00492 (0.69)
<i>Republican</i> × <i>Pass</i>	-0.00780 (-0.44)	0.00888 (0.65)	-0.0213 (-1.65)
Year FE	Y	Y	Y
<i>N</i>	137	137	137
<i>R-sq</i>	0.217	0.197	0.132

Table A8

Heterogeneity in support based on an institution's ownership stake.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the relative size of an institutional investor's ownership stake of the firm. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{TopOwner} + \beta_3 \text{Republican}_{s,t} \times \text{TopOwner} + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{TopOwner} + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. In Columns 1 and 2, *TopOwner* equals 1 if the institution's ownership stake in the firm in year *t-1* is in the top quintile or decile for that firm; in Columns 3 and 4, *TopOwner* equals 1 if the institution is among the top 5 or top 10 largest shareholders of the firm. We calculate institution-level ownership stake using Thomson-Reuters 13F data. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =			
	<i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>TopOwner</i>	-0.0383*** (-10.24)	-0.0550*** (-8.99)	-0.0335*** (-7.75)	-0.0234*** (-6.07)
<i>Republican</i> × <i>SRI</i>	-0.0369*** (-3.35)	-0.0385*** (-3.60)	-0.0399*** (-3.94)	-0.0382*** (-3.76)
<i>SRI</i> × <i>TopOwner</i>	0.0341*** (3.76)	0.0549*** (4.38)	0.0272** (2.24)	0.0161* (1.70)
<i>Republican</i> × <i>TopOwner</i>	-0.000433 (-0.09)	-0.00529 (-0.72)	0.0105 (1.08)	0.0108 (1.47)
<i>Republican</i> × <i>SRI</i> × <i>TopOwner</i>	-0.0182 (-1.34)	-0.0189 (-1.06)	-0.0282* (-1.89)	-0.0306** (-2.26)
<i>TopOwner</i> Definition	Top quintile	Top decile	Top 5 owner	Top 10 owner
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	761,300	761,300	761,300	761,300
<i>R-squared</i>	0.583	0.583	0.583	0.583

Table A9

Heterogeneity in support based on voting margin.

This table explores whether the association between institutions' voting on SRI proposals and the political climate in the firm's home state varies when the vote margin is close. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{Contested}_j + \beta_3 \text{Republican}_{s,t} \times \text{Contested}_j + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{Contested}_j + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Contested* equals 1 if the vote margin for proposal *j* is within certain vote margin, which varies from less than 5, 10, 15, and 20 percentage points in Columns 1-4. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =			
	<i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Contested</i>	0.0839*** (6.09)	0.0871*** (7.58)	0.0842*** (13.44)	0.0899*** (11.90)
<i>Republican</i> × <i>SRI</i>	-0.0405*** (-5.39)	-0.0339*** (-4.48)	-0.0262*** (-3.10)	-0.0302*** (-3.10)
<i>SRI</i> × <i>Contested</i>	0.00199 (0.06)	0.00822 (0.37)	0.00839 (0.45)	-0.0626*** (-5.64)
<i>Republican</i> × <i>Contested</i>	-0.00546 (-0.25)	-0.00254 (-0.14)	0.0220* (1.71)	0.00767 (0.65)
<i>Republican</i> × <i>SRI</i> × <i>Contested</i>	0.0266 (0.45)	-0.0394 (-1.27)	-0.0440 (-1.65)	-0.000396 (-0.02)
Vote margin to define <i>Contested</i>	<5%	<10%	<15%	<20%
Percentage of contested proposals	7.82%	15.83%	27.00%	37.36%
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	761,302	761,302	761,302	761,302
<i>R-squared</i>	0.584	0.584	0.585	0.585

Table A10

Heterogeneity across institutions based on whether they are foreign versus domestic. This table examines whether the association between an institution's SRI support and the political climate of the firm's home state varies based on whether the institution is foreign-based. Specifically, the dependent variable *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *Foreign* equals 1 only if the institution's headquarter is outside the United States. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = <i>Likelihood of voting in support</i> (1)
<i>Republican</i> × <i>SRI</i>	-0.0426*** (-4.40)
<i>Republican</i> × <i>Foreign</i>	-0.00774 (-1.62)
<i>Republican</i> × <i>SRI</i> × <i>Foreign</i>	-0.00215 (-0.27)
Controls	Y
Meeting fixed effects	Y
Institution-by-month-by-SRI fixed effects	Y
Industry-by-month-by-SRI fixed effects	Y
<i>N</i>	761,280
<i>R-squared</i>	0.583

Table A11

Likelihood of observing SRI proposals.

This table explores whether the likelihood of having a shareholder meeting with at least one SRI proposal or the likelihood of a proposal being classified as SRI varies based on based on the political affiliation of the governor of the firm's headquarters state. The dependent variables are likelihood of having a shareholder meeting with at least one SRI proposal (Column 1) and the likelihood of a proposal being classified as SRI (Column 2), respectively. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. The test in Column 1 is conducted at the meeting level, while the test in Column 2 is conducted at the proposal level. We include firm fixed effects and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses.

	Dep. variable =	
	<i>Likelihood of having a meeting with at least one SRI proposal</i> (1)	<i>Likelihood of a proposal being classified as SRI</i> (2)
<i>Republican</i>	0.0164 (0.67)	0.0150 (0.78)
Firm fixed effects	Y	Y
Month fixed effects	Y	Y
<i>N</i>	4,546	10,375
<i>R-squared</i>	0.535	0.371

Table A12

Likelihood of SRI proposal.

This table examines whether the likelihood of having specific type of SRI proposals varies in Republican-led states versus Democratic states using a proposal-level regression. In Panel A, the dependent variable is an indicator that equals 1 if the proposal belongs to certain topics classified by BERTopic, where keywords and examples of the resulting classifications are listed in Appendix Table A1; in Panel B, we replace topics with the 14 SRI topic classifications provided by Voting Analytics. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor when the proposal is filled. We include firm fixed effects and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level.

	<i>Dep. variable = Likelihood of specific type of SRI proposal</i>													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Panel A: BERTopic classifications														
<i>Republican</i>	0.0029 (0.51)	0.0051 (0.54)	0.0042 (0.42)	0.0084 (0.83)	-6E-04 (-0.18)	-0.001 (-0.38)	-8E-04 (-0.28)	-0.0010 (-0.67)	-3E-05 (-0.05)	-0.003 (-1.63)	0.0015 (0.92)			
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			
Month FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			
Proposal Topic No.	1	2	3	4	5	6	7	8	9	10	-			
N	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375			
R-sq	0.182	0.228	0.219	0.255	0.252	0.233	0.069	0.096	0.249	0.170	0.562			
Panel B: VA topic classifications														
<i>Republican</i>	0.0090 (1.65)	0.0073 (1.40)	0.0036 (1.16)	-0.0004 (-0.59)	0.0004 (0.17)	0.0027 (0.48)	-0.0071 (-1.30)	-0.0010 (-0.14)	0.0012 (0.33)	0.0028 (0.29)	-0.0073 (-1.17)	-0.0032 (-0.93)	-0.0024 (-0.67)	0.0080 (1.67)
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Month FE	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Proposal Topic No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
N	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375	10,375
R-sq	0.250	0.122	0.141	0.115	0.192	0.191	0.256	0.293	0.224	0.223	0.244	0.275	0.090	0.177

Table A13

Political tilt of SRI proposal text.

This table displays the political tilt of SRI proposal texts in Democratic-led states vs. Republican-led states. We use ChatGPT to classify the text of every SRI proposal. Specifically, we use the following prompt to assess the political tilt of each proposal: “Based solely on the content of the proposal—disregarding any responses or commentary from the board or management—assess the political tilt of the proposal and classify it into one of the following categories: ‘Far Left’, ‘Center Left’, ‘Center’, ‘Center Right’, ‘Far Right’ or ‘Not Sure’.”

	Freq.	Percent
<u>Panel A: SRI Proposals in Democratic-led States</u>		
Far Left	52	4.15%
Center Left	1,145	91.31%
Center	20	1.59%
Center Right	15	1.20%
Far Right	22	1.75%
Total	1,254	100%
<u>Panel B: SRI Proposals in Republican-led States</u>		
Far Left	54	4.59%
Center Left	1,086	92.35%
Center	22	1.87%
Center Right	8	0.68%
Far Right	6	0.51%
Total	1,176	100%

Table A14

Likelihood of having SRI proposals with different political tilt.

This table examines whether the likelihood of SRI proposals with different political tilt varies based on the political affiliation of the governor of the firm's headquarters state. Specifically, the test is conducted at proposal-level. The dependent variable is an indicator for whether an SRI proposal is classified into a specific political tilt category, where *FL* denotes *Far Left*, *CL* denotes *Center Left*, *C* denotes *Center*, *CR* denotes *Center Right*, and *FR* denotes *Far Right*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. We include firm fixed effects and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable = <i>Likelihood of a SRI proposal being classified into a specific political tilt category</i>				
<i>Republican</i>	-0.0046 (-0.28)	-0.0009 (-0.03)	0.0106 (1.26)	-0.0006 (-0.11)	-0.0055 (-0.86)
Firm FE	Y	Y	Y	Y	Y
Month FE	Y	Y	Y	Y	Y
Political Tilt Category	<i>FL</i>	<i>CL</i>	<i>C</i>	<i>CR</i>	<i>FR</i>
<i>N</i>	2,482	2,482	2,482	2,482	2,482
<i>R-sq</i>	0.230	0.274	0.161	0.166	0.315

Table A15

Robustness to using SRI proposal type fixed effects.

This table presents the results from a robustness test of our baseline regression and stacked difference-in-differences regression controlling for SRI proposal types. In Columns 1-2, SRI proposal types are classified by BERTopic; in Columns 3-4, SRI proposal types are from Voting Analytics. To control for the impact of SRI proposal types, we replace the fixed effects in the baseline regression (Table 4, Column 3) with institution-by-month-by-SRI-type, industry-by-month-by-SRI-type, and state-by-SRI-type fixed effects, and we replace the fixed effects in stacked difference-in-differences specification with institution-by-month-by-SRI-type-by-event, industry-by-month-by-SRI-type-by-event, and state-by-SRI-type-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = <i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Republican</i> × <i>SRI</i>	-0.0267** (-2.21)	-0.0378** (-2.65)	-0.0404** (-2.27)	-0.157*** (-3.17)
Proposal Type Classification	BERT 10 Topics	BERT 10 Topics	VA 14 Topics	VA 14 Topics
Controls	Y	Y	Y	Y
Meeting fixed effects	Y		Y	
Institution-by-month-by-SRI-type fixed effects	Y		Y	
Industry-by-month-by-SRI-type fixed effects	Y		Y	
Meeting-by-event fixed effects		Y		Y
Institution-by-month-by-SRI-type-by-event fixed effects		Y		Y
Industry-by-month-by-SRI-type-by-event fixed effects		Y		Y
State-by-SRI-type-by-event fixed effects		Y		Y
<i>N</i>	735,937	4,250,218	728,064	4,207,843
<i>R-squared</i>	0.604	0.636	0.609	0.647

Table A16

Macroeconomic indicators in Republican-led states.

This table examines whether key macroeconomic indicators differ based on the political affiliation of a state's governor. We obtain macroeconomic variables data from U.S. Bureau of Economic Analysis (BEA). *GDP growth* is defined as the yearly difference in state-level GDP. *PCE* denotes Personal Consumption Expenditure. *PI* stands for Personal Income. *EMP* denotes employment. The dependent variables in Columns 1 to 4 are in levels, while those in Columns 5 to 8 are in log-transformed values. *Republican* is a dummy that equals 1 if the governor of a state is affiliated with Republican party. We include state fixed effects and year fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses.

	Dep. variable =							
	<i>GDP Growth</i>	<i>PCE</i>	<i>PI</i>	<i>EMP</i>	<i>log(GDP Growth)</i>	<i>log(PCE)</i>	<i>log(PI)</i>	<i>log(EMP)</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Republican</i>	-2359.3 (-1.07)	-8927.9 (-1.42)	-14699.0 (-1.54)	-59770.3 (-1.39)	0.0771 (1.26)	0.000505 (0.15)	0.00178 (0.42)	0.00117 (0.37)
State fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y	Y	Y	Y
<i>N</i>	613	613	613	613	613	613	613	613
<i>R-squared</i>	0.627	0.968	0.957	0.993	0.834	0.999	0.998	0.999

Table A17

Robustness to controlling for macroeconomic variables.

This table re-estimates the baseline specifications and stacked within-state specification (i.e., Table 4, Column 3 and Table 6) when including state-level macroeconomic variables as additional controls. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. In Columns 1 to 3, we include state-year level controls *GDP Growth*, *PCE*, *PI*, and *Personal Income*; in Columns 4 to 6, we instead control for the log-values of these macroeconomic variables. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are in parentheses. *** indicates significance at the 1% level.

	Dep. variable =					
	<i>Likelihood of voting in support</i>					
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Republican</i> × <i>SRI</i>	-0.0418*** (-3.44)	-0.0415** (-2.47)	-0.143*** (-4.35)	-0.0317*** (-2.82)	-0.0431*** (-2.82)	-0.174*** (-5.08)
Controls	Y	Y	Y	Y	Y	Y
Meeting fixed effects	Y	Y		Y	Y	
Institution-by-month-by-SRI fixed effects	Y	Y		Y	Y	
Industry-by-month-by-SRI fixed effects	Y	Y		Y	Y	
State-by-SRI fixed effects		Y			Y	
Meeting-by-event fixed effects			Y			Y
Institution-by-month-by-SRI-by-event fixed effects			Y			Y
Industry-by-month-by-SRI-by-event fixed effects			Y			Y
State-by-SRI-by-event fixed effects			Y			Y
<i>N</i>	761,302	749,470	4,725,037	761,302	749,470	4,725,037
<i>R-squared</i>	0.583	0.584	0.617	0.583	0.584	0.617

Table A18

Likelihood that management or ISS recommend supporting a SRI proposal. This table examines the likelihood of management and ISS indicating support for SRI proposals based on the political affiliation of the governor of the firm's home state. Specifically, we estimate

$$Y_{j,m,s,t} = \beta_1 \text{Republican}_{s,t} + \beta_2 \text{SRI}_j + \beta_3 \text{Republican}_{s,t} \times \text{SRI}_j + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where Y represents two proposal-level outcomes for whether management and ISS recommend supporting proposal j , *Management recommends support* and *ISS recommends support*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. Columns 1 and 3 estimate the coefficient using the same data structure as our baseline specification (proposal-institution-level), while Columns 2 and 4 use a proposal-level estimation. In columns 1 and 3, we include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. In columns 2 and 4, we include firm and month fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dependent variable =			
	<i>Management recommends support</i>		<i>ISS recommends support</i>	
	(1)	(2)	(3)	(4)
<i>Republican</i>		0.00254 (0.24)		0.000549 (0.02)
<i>SRI</i>		-0.0221*** (-4.62)		-0.159*** (-5.22)
<i>Republican</i> × <i>SRI</i>	-0.0085 (-0.65)	-0.008 (-0.76)	0.0248 (0.51)	0.0285 (0.47)
Meeting fixed effects	Y		Y	
Institution-by-month-by-SRI fixed effects	Y		Y	
Industry-by-month-by-SRI fixed effects	Y		Y	
Firm FE		Y		Y
Month FE		Y		Y
N	761,302	10,375	761,302	10,375
R -squared	0.871	0.750	0.646	0.358

Table A19

Robustness to excluding proposal-level controls and analyzing post-2012 observations.

This table re-estimates the baseline specifications in Table 4, Column 3 and Table 6, Column 2 after excluding the proposal level controls. Column 1 presents the findings of the Table 4, Column 3 estimation after dropping proposal-level controls, while Column 4 presents the findings of the Table 6, Column 2 estimation after dropping proposal-level controls. Columns 2 and 3 show how the baseline difference-in-differences findings differ in the post-2012 period with and without proposal-level controls. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = <i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Republican</i> × <i>SRI</i>	-0.0317 (-1.15)	-0.0614*** (-4.67)	-0.0483* (-1.82)	-0.128 (-1.41)
Sample	All years	Post 2012	Post 2012	All years
Controls		Y		
Meeting fixed effects	Y	Y	Y	
Institution-by-month-by-SRI fixed effects	Y	Y	Y	
Industry-by-month-by-SRI fixed effects	Y	Y	Y	
Meeting-by-event fixed effects				Y
Institution-by-month-by-SRI-by-event fixed effects				Y
Industry-by-month-by-SRI-by-event fixed effects				Y
State-by-SRI-by-event fixed effects				Y
<i>N</i>	761,302	488,374	488,374	4,725,037
<i>R-squared</i>	0.502	0.576	0.500	0.544

Table A20

Robustness to including SRI interactions with each proposal-level control variable. This table re-estimates the baseline specifications in Table 4, Column 3 and Table 6, Column 2 after including an additional SRI interaction with each proposal-level control. Specifically, we add *MGMT Support* × *SRI* and *ISS Support* × *SRI* to original specification. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i>	
	(1)	(2)
<i>Republican</i> × <i>SRI</i>	-0.0324*** (-2.98)	-0.121*** (-5.69)
<i>MGMT Support</i>	0.0823*** (3.07)	0.0536** (2.39)
<i>MGMT Support</i> × <i>SRI</i>	0.228*** (6.06)	0.341*** (17.14)
<i>ISS Support</i>	0.522*** (63.22)	0.531*** (22.68)
<i>ISS Support</i> × <i>SRI</i>	-0.132*** (-12.11)	-0.148*** (-5.05)
Meeting fixed effects	Y	
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
<i>N</i>	761,302	4,725,037
<i>R-squared</i>	0.584	0.619

Table A21

Robustness to including state-by-institution-by-SRI-by-event fixed effects. This table re-estimates the stacked difference-in-differences specification in Table 6, Column 2 after replacing the state-by-SRI-by-event fixed effects with state-by-institution-by-SRI-by-event fixed effects. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. *** indicates significance at the 1% level.

	Dep. variable = <i>Likelihood of voting in support</i> (1)
<i>Republican</i> × <i>SRI</i>	-0.114*** (-3.53)
Control	Y
Meeting-by-event fixed effects	Y
Institution-by-month-by-SRI-by-event fixed effects	Y
Industry-by-month-by-SRI-by-event fixed effects	Y
State-by-institution-by-SRI-by-event fixed effects	Y
<i>N</i>	4,522,190
<i>R-squared</i>	0.646

Table A22

Robustness to double-clustered standard errors.

This table re-estimates the baseline specifications in Table 4, Column 3 and Table 6, Column 2 using standard errors that are double clustered at the state and institution levels. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month t when proposal j is being voted on. *SRI* equals 1 if the proposal j is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are in parentheses. *** indicates significance at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i>	
	(1)	(2)
<i>Republican</i> × <i>SRI</i>	-0.0413*** (-4.28)	-0.131*** (-4.82)
Controls	Y	
Meeting fixed effects	Y	
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Meeting-by-event fixed effects		Y
Institution-by-month-by-SRI-by-event fixed effects		Y
Industry-by-month-by-SRI-by-event fixed effects		Y
State-by-SRI-by-event fixed effects		Y
<i>N</i>	761,302	4,725,037
<i>R-squared</i>	0.583	0.617

Table A23

Summary statistics of governor's view on SRI-related issues.

This table summarizes each governor's stance on SRI-related issues, based on responses generated by GPT-4o to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. Use the following format for your answers: 'choice - explanation.' If unsure, respond with 'not sure.'" Panel A presents statistics by governor, while Panel B presents statistics by governor's political affiliation using the sample of observations used in our baseline specification.

<u>Panel A: Governor views (# of governors)</u>	<u>Freq.</u>	<u>Percent</u>
Strongly discourage	1	0.74
Discourage	17	12.59
Remain neutral/ Not sure	61	45.19
Encourage	25	18.52
Strongly encourage	31	22.96
Total	135	100

<u>Panel B: Governor view by party (regression sample)</u>	<u>Democrat</u>	<u>Republican</u>
Strongly discourage	0	2,670
Discourage	2,515	126,598
Remain neutral/ Not sure	73,503	111,578
Encourage	48,098	68,437
Strongly encourage	310,867	9,526
Total	434,983	318,809

Table A24

Robustness to using a Large Language Model to measure governor's views on SRI. This table examines whether the likelihood of an institution voting in favor of a SRI proposal varies based the governors' view of SRI-related issues in the firm's headquarters state. The dependent variable *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* for a firm headquartered in state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We classify each governor's stance on SRI-related issues, based on responses generated by GPT-4o to the question: "How does <governor>, the governor of <state>, view the adoption of environmental and socially responsible policies by firms within the state during their tenure? Please choose the option that best aligns with the governor's stance: strongly encourage, encourage, remain neutral, discourage, or strongly discourage. Select one of these five options and provide a brief, one-sentence explanation. We use the responses to construct *NegESG*. In Columns 1 and 3, *NegESG* equals 2 for *strongly discourage*, 1 for *discourage*, 0 for *not sure* or *neutral*, -1 for *encourage*, and -2 for *strongly encourage*. In Columns 2 and 4, *NegESG* equals 1 for *strongly discourage* or *discourage*, 0 for *not sure* or *neutral*, and -1 for *encourage* or *strongly encourage*. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =			
	<i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Republican</i> × <i>SRI</i>			-0.0228 (-1.56)	-0.0334** (-2.51)
<i>NegESG</i> × <i>SRI</i>	-0.0160*** (-5.96)	-0.0181*** (-4.00)	-0.0101* (-1.98)	-0.00777 (-1.14)
<i>NegESG</i> definition	-2 to 2	-1 to 1	-2 to 2	-1 to 1
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	751,281	761,302	751,281	761,302
<i>R-squared</i>	0.583	0.583	0.583	0.583

Table A25

Estimates when differentiating by the extent of state-level political control.

This table tests the importance of how we define a state's political status and whether one party controls both the governorship and legislative body in that state. Column 1 re-estimates the baseline specification in Table 4, Column 3 but replaces *Republican* with the indicator *Republican Control*, which equals 1 if the corresponding firm is located in a state where the Republican party holds the office of governor and majorities in both the house and senate in month t when proposal j is being voted on. In Column 2, we add interactions for *Republican Governor Only*, which flags states where Republicans hold the governor office but do not control both the house and senate, and *Democrat Governor Only*, which flags states where Democrats hold the governor office but do not control both the house and senate. The excluded category is states where the Democrat party holds both the governorship and majorities in the house and senate. The dependent variable, *Likelihood of voting in support*, continues to be the share of institution i 's funds voting in support for proposal j at meeting m in month t , and all other controls and included fixed effects remain the same as before. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. t statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	(1)	(2)
<i>Republican Control</i> × <i>SRI</i>	-0.0400*** (-3.13)	-0.0478*** (-3.14)
<i>Republican Governor Only</i> × <i>SRI</i>		-0.0341*** (-2.97)
<i>Democrat Governor Only</i> × <i>SRI</i>		0.00375 (0.18)
p -value for <i>Republican Control</i> × <i>SRI</i> - <i>Republican Governor Only</i> × <i>SRI</i> =		0.320
p -value for <i>Republican Governor Only</i> × <i>SRI</i> - <i>Democrat Governor Only</i> × <i>SRI</i> =		0.0505
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
N	761,302	761,302
R -squared	0.583	0.583

Table A26

Estimates when proxying state-level exposure using 10-K text.

This table re-estimates the baseline specification in Table 4, Column 3 using alternative proxies of each firm's state-level exposure. We follow Garcia and Norli (2012) and count the frequency at which each firm mentions every state in its annual 10-K filing (Items 1-2 and 6-7). In Column 1, *Republican* equals 1 if the most frequently mentioned state in the firm's 10-K last year is currently led by a Republican governor; in Column 2, *Republican* is the proportion of last year's 10-K mentions that are for states currently led by a Republican governor. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. We include proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We also include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	(1)	(2)
	<i>Likelihood of voting in support</i>	
<i>Republican</i> × <i>SRI</i>	-0.0374*** (-3.69)	-0.0484** (-2.20)
State used to construct <i>Republican</i>	Most frequently mentioned state in last year's 10-K	Each state's share of mentions in last year's 10-K
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
<i>N</i>	713,203	713,203
<i>R-squared</i>	0.585	0.585

Table A27

Robustness to excluding Texas and Florida.

This table re-examines the baseline specification of Table 4 after excluding firms headquartered in Florida or Texas. Panel A excludes firms headquartered in Florida; Panel B excludes those in Texas; and Panel C excludes those in either state. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =		
	<i>Likelihood of voting in support</i>		
	(1)	(2)	(3)
<u>Panel A: Excluding Florida</u>			
<i>SRI</i>	-0.0838*** (-11.66)		
<i>Republican</i> × <i>SRI</i>	-0.0207** (-2.16)	-0.0394*** (-3.88)	-0.0402*** (-4.11)
<i>N</i>	751,431	751,431	744,452
<i>R-squared</i>	0.540	0.545	0.583
<u>Panel B: Excluding Texas</u>			
<i>SRI</i>	-0.0835*** (-11.70)		
<i>Republican</i> × <i>SRI</i>	-0.0260** (-2.12)	-0.0290** (-2.39)	-0.0303** (-2.62)
<i>N</i>	688,402	688,402	681,479
<i>R-squared</i>	0.544	0.550	0.587
<u>Panel C: Excluding Florida and Texas</u>			
<i>SRI</i>	-0.0837*** (-11.66)		
<i>Republican</i> × <i>SRI</i>	-0.0219* (-1.83)	-0.0276** (-2.31)	-0.0286** (-2.50)
<i>N</i>	671,584	671,584	664,607
<i>R-squared</i>	0.544	0.550	0.587
Controls	Y	Y	Y
Meeting fixed effects	Y	Y	Y
Institution-by-month fixed effects	Y	Y	
Institution-by-month-by-SRI fixed effects			Y
Industry-by-month-by-SRI fixed effects		Y	Y

Table A28

Heterogeneity in support based on media coverage.

This table explores whether the association between an institution's voting on SRI proposals and the political climate in the firm's home state varies with the level of past media coverage for the firm or institution. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{HighMedia} + \beta_3 \text{Republican}_{s,t} \times \text{HighMedia} + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{HighMedia} + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t},$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *m* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. In Columns 1 and 2, *HighMedia* equals 1 if the number of year t-1 media articles including the firm's name is in the top quintile or decile; in Columns 3 and 4, *HighMedia* equals 1 if the number of year t-1 media articles including the institution's name is in the top quintile or decile. We tabulate the number of media articles each year using Factiva. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable = <i>Likelihood of voting in support</i>			
	(1)	(2)	(3)	(4)
<i>Republican</i> × <i>SRI</i>	-0.0344*** (-2.96)	-0.0295** (-2.25)	-0.0316** (-2.23)	-0.0332** (-2.35)
<i>SRI</i> × <i>HighMedia</i>	0.00542 (0.28)	0.0153 (1.03)		
<i>Republican</i> × <i>HighMedia</i>			0.0208*** (3.52)	0.0200*** (3.46)
<i>Republican</i> × <i>SRI</i> × <i>HighMedia</i>	-0.00327 (-0.10)	-0.123*** (-4.32)	-0.0156** (-2.39)	-0.0106 (-1.20)
Definition for <i>HighMedia</i> (by year)	Firm coverage in top quintile	Firm coverage in top decile	Institution coverage in top quintile	Institution coverage in top decile
Controls	Y	Y	Y	Y
Meeting fixed effects	Y	Y	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y	Y	Y
<i>N</i>	749,470	749,470	749,470	749,470
<i>R-squared</i>	0.584	0.584	0.584	0.584

Table A29

Heterogeneity in support based on institution size.

This table explores whether the association between an institution's SRI votes and the political climate in the firm's home state varies across size of institutions. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{Republican}_{s,t} \times \text{SRI}_j + \beta_2 \text{SRI}_j \times \text{Large} + \beta_3 \text{Republican}_{s,t} \times \text{Large} + \beta_4 \text{Republican}_{s,t} \times \text{SRI}_j \times \text{Large} + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t* and state *s*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. *SRI* equals 1 if the proposal *j* is related to socially responsible issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. *Large* equals 1 if the institution's AUM is in the top quintile (Column 1) or decile (Column 2). We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. * indicates significance at the 10% level; ** at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	(3)	(4)
<i>Republican</i> × <i>SRI</i>	-0.0266 (-1.60)	-0.0283* (-1.71)
<i>Republican</i> × <i>Large</i>	0.0156** (2.28)	0.0184** (2.35)
<i>Republican</i> × <i>SRI</i> × <i>Large</i>	-0.0277** (-2.35)	-0.0381** (-2.43)
Definition for <i>Large</i> indicator (by year)	Institution AUM in top quintile	Institution AUM in top decile
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	Y
Industry-by-month-by-SRI fixed effects	Y	Y
<i>N</i>	620,384	620,384
<i>R-squared</i>	0.580	0.580

Table A30

Environmental- vs. social-issue SRI proposals.

This table investigates whether the relationship between institutions' voting on SRI proposals and the political climate in the firm's home state varies across SRI proposal types. Specifically, we estimate

$$\text{Likelihood of voting in support}_{i,j,m,s,t} = \beta_1 \text{SRI_E}_j + \beta_2 \text{SRI_S}_j + \beta_3 \text{Republican}_{s,t} \times \text{SRI_E}_j + \beta_4 \text{Republican}_{s,t} \times \text{SRI_S}_j + \gamma X_j + \theta_m + \mu_{i,t,\text{SRI}} + \pi_{\text{ind},t,\text{SRI}} + \varepsilon_{i,j,m,s,t}$$

where *Likelihood of voting in support* is the share of institution *i*'s funds voting in support for proposal *j* at meeting *m* in month *t*. *Republican* is a dummy that equals 1 if the corresponding firm is located in a state where the Republican party controls the office of governor in month *t* when proposal *j* is being voted on. We classify SRI proposals into "E" or "S" based on the resolution information from Voting Analytics. *SRI_E* equals 1 if proposal *j* is related to environmental issues; *SRI_S* equals 1 if proposal *j* is related to social issues. *X* represents the proposal-level controls for whether management and ISS recommend supporting the proposal, *Management recommends support* and *ISS recommends support*. We include meeting fixed effects, institution-by-month-by-SRI fixed effects, and industry-by-month-by-SRI fixed effects, where industry is defined at the 2-digit SIC level. The sample includes all shareholder proposals that were voted on from 2006 to June 2021. Standard errors are clustered at the state level. *t* statistics are in parentheses. ** indicates significance at the 5% level; and ***, at the 1% level.

	Dep. variable =	
	<i>Likelihood of voting in support</i>	
	(1)	(2)
<i>SRI_E</i>	-0.0450** (-2.61)	
<i>SRI_S</i>	-0.0505*** (-3.32)	
<i>Republican</i> × <i>SRI_E</i>	-0.0460*** (-3.34)	-0.0225 (-1.00)
<i>Republican</i> × <i>SRI_S</i>	-0.0341*** (-3.29)	-0.0335*** (-2.98)
<i>p</i> -value of difference in interaction coefficients	0.32	0.64
Controls	Y	Y
Meeting fixed effects	Y	Y
Institution-by-month-by-SRI fixed effects	Y	
Industry-by-month-by-SRI fixed effects	Y	
Institution-by-month-by-SRI_E fixed effects		Y
Industry-by-month-by-SRI_E fixed effects		Y
Institution-by-month-by-SRI_S fixed effects		Y
Industry-by-month-by-SRI_S fixed effects		Y
<i>N</i>	761,302	755,001
<i>R</i> -squared	0.583	0.588